

Comprehensive Annual Financial Report

City of Flint, Michigan

Fiscal Year Ended June 30, 2002

**City of Flint, Michigan
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2002**

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Introductory Section



CITY OF FLINT

December 30, 2002

To the Honorable Mayor, Members of City Council, and Citizens of the City of Flint:

Michigan law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement we hereby issue the comprehensive annual financial report of the City of Flint, Michigan for the fiscal year ended June 30, 2002.

This report consists of management's representations concerning the finances of the City of Flint (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Flint has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Flint's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Flint's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Flint's financial statements have been audited by BKR Dupuis & Ryden, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Flint for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Flint's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Flint was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Flint's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Flint's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Flint, incorporated in 1855, is located in the eastern part of the State of Michigan. The City currently occupies a land area of 32.8 square miles and serves a population of 124,943. The City is empowered to levy a property tax on both real and personal properties located within its boundaries, as well as a 1% income tax for those who live within the City limits (or .5% for those who only work within the City limits).

The City of Flint has operated under the strong mayor – council form of government since November 4, 1975, when the present charter was adopted. Legislative authority is vested in a City Council consisting of nine members elected from each of the nine wards in the City and serving a four-year term. The City Council is responsible, among other things, for passing ordinances, adopting the budget, approving resolutions and appointing committees. The Mayor is an elected official who serves as the chief executive officer of the City for a four-year term of office (he may be reelected for additional terms). The Mayor appoints a City Administrator to be the chief administrative officer of the City, overseeing the day-to-day operations of the government. The Mayor also appoints the principal officials responsible for budget, personnel, planning, legal counsel, and administrative services; appointing up to ten principal staff officials who serve at the pleasure of the Mayor. In addition, the Mayor may appoint up to ten executive department heads over such departments as may be necessary to administer the responsibilities of the City for public safety, public works, utilities, parks and recreation, transportation, finance, community development, and environmental protection. The City Council must approve these appointments. The City Council and the Mayor are elected on a non-partisan basis.

The City of Flint provides a full range of services, including police and fire protection; the construction and maintenance of streets, and other infrastructures; recreational activities and cultural events; water and sewer services; and sanitation/garbage pickup services. The Board of Hospital Managers has the exclusive authority to manage and operate Hurley Hospital. The Flint Downtown Development Authority Board promotes the rehabilitation of the downtown area. The City of Flint Economic Development Corporation provides financing and development opportunities for businesses located in the City of Flint.

The annual budget serves as the foundation for the City's of Flint's financial planning and control. All departments and agencies of the City of Flint are required to submit requests for appropriation to the Mayor's appointed Budget Director in March each year. The Budget Director uses these requests as the starting point for developing a proposed budget. The Mayor then presents this proposed budget to the City Council on the first Monday in May. The Council is required to hold public hearings on the proposed budget and to adopt a final budget, by charter, on the first Monday in June. The City's fiscal year ends on June 30. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments or funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated annual budget has been adopted. The comparison is presented in the required supplementary information subsection of this report, which starts on page 79.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Flint operates.

Local Economy. The economy in Michigan followed the nation's slowdown in 2001. Michigan's unemployment rate increased to 6.2% in December 2001. The state's automotive industry was affected by a decline in business and consumer confidence. In the Flint/Genesee County area, over 1900 building permits were issued county-wide for new residential construction, an increase of 34% from the previous year. General Motors has invested over \$540 million in the GM Truck Assembly Plant in the City of Flint. Bishop

International Airport has grown to be the third largest airport in Michigan, with more than 655,000 passengers last year, double the amount from 1996. The Airport has also completed extensive improvements to the facility.

Cash management policies and practices. Safety of principal is the foremost objective of the City of Flint. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The surplus funds of the City of Flint were invested in accordance with Act 20 of the Public Acts of 1943, as amended, and the City's Code of Ordinances. These funds were invested in obligations of the U.S. Treasury, certificates of deposit, commercial paper and investment pools. The maturity dates of the investments range from 11 days to 5.62 years, with an average maturity of 9 months. The average yield on investments was 2.64 percent for fiscal year 2002.

Risk management. The City of Flint has established a comprehensive Risk Management program in order to protect the assets of the City from the risk of loss. This is accomplished through a combination of risk financing and loss control activities which are designed to avoid, reduce or transfer various risk exposures. The City utilizes a combination of commercial insurance and self-insurance to finance these exposures. The risk of loss is reduced through the use of various control techniques, such as contract review, safety training and site inspections.

In FY 2002, organizational restructuring resulted in the Workers' Compensation function being transferred to the Risk Management department, which allows for a more coordinated effort to minimize accident-related losses. Additional information on the City of Flint's risk management activities can be found in Section V.F. of the Notes of the June, 30, 2002 audited Financial Statements.

Pension and other post-employment benefits. The City of Flint sponsors a single-employer defined benefit plan for its public safety and non-public safety employees. Each year, an independent actuary engaged by the pension system calculates the amount of the annual contribution that the City of Flint must make to the pension system to ensure that the plan will be able to fully meet its obligations to retired employees. The City of Flint makes monthly contributions to the system in accordance with the contribution rate determined by the independent actuary. As a result of the City of Flint's funding activities, the overall retirement system as of December 31, 2001, is 99.3% funded.

The City of Flint also provides post-retirement health and vision care benefits for retirees and their dependents. As of the end of the current fiscal year, there were approximately 1,800 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Additional information on the City of Flint's Retirement Plan can be found in Section V.C. of the Notes of the June 30, 2002 Audited Financial Statements. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City of Flint's finances.

Respectfully submitted,

Darnell Earley
City Administrator

Peter Dobrzeniecki
Director of Finance

City of Flint, Michigan
List of Elected, Civil Service, and Appointed Officials

Edward J. Kurtz Emergency Financial Manager
 James Rutherford Mayor
 Darnell Earley City Administrator
 Bradford Barksdale Chief of Police
 G. Robert Carlyon Interim Director of Water/Sewer Utilities
 Peter Dobrzeniecki Director of Finance
 Robert Erlenbeck Risk Management, Insurance and Benefits Administrator
 Karen L. Folks Interim Chief Legal Officer
 Ronald A. Hammond Transportation Director
 Joyce A. Parker Community and Neighborhood Services Director
 Larry Piper Information Services Administrator
 Deirdre G. Pitts Human Resources Director
 Melanie Purcell Director of Budget Management
 Stephen Todd Emergency 911 Administrator
 Heather Webb Director of Parks and Recreation and Facility Maintenance
 Dandre Williams Interim Fire Chief

Other City Officials

Inez Brown* City Clerk
 Jessie Binion* Ombudsman
 Mayor James Rutherford Acting Director, Downtown Development Authority
 Tracy Collier-Nix Director, Civil Service Commission
 Cleora Magee Executive Director, Human Relations Commission
 Marcia Magyar City Assessor
 James Goodin, CPA City Treasurer
 Lynette Ward 68th District Court Administrator

* *Appointed by City Council*

City Council Members (elected November 2001 – terms expire November 2005)

Darryl E. Buchanan	First Ward
Edward L. Taylor, Vice Chair, Finance Committee	Second Ward
Johnnie Coleman, Vice President and Special Affairs Committee Chairman	Third Ward
Peggy Cook, Vice Chair, Governmental Operations	Fourth Ward
Carolyn Sims, Vice Chair, Legislative Committee	Fifth Ward
Mark A. Horrigan, Chair, Governmental Operations	Sixth Ward
Matthew Schlinker, Chair, Finance Committee	Seventh Ward
Lawrence B. Murphy, Chair, Legislative Committee	Eighth Ward
Scott Kincaid, President	Ninth Ward

Flint Employees Retirement Board

Board Members

Daniel Hall, Chairman (Hurley)
Peter Dobrzeniecki, Secretary and Fund
Administrator (City Finance Director)
Daniel Coffield (Hurley)
Amy Lindman (Fire)
Micah Parker (Hurley)
Georgia Steinhoff (Retiree)
Robert Rosenberger (1600/1799/Exempt)
Edward Taylor (City Council)
Darnell Earley (City Administrator)

Alternates

Janice Kehoe (Hurley)
James Goodin (City Treasurer)

Cass Wisniewski (Hurley)
Alvern Locke (Police)
Sandra Kidd (Hurley)
Donald Phillips, Vice Chairman (Retiree)
Lisa DeDolph (1600/1799/Exempt)
Mark Horrigan (City Council)
Robert Erlenbeck (Insurance/Risk/Benefits)

Financial Section

Independent Auditors' Report

Honorable Mayor and Members
of the City Council
City of Flint
Flint, Michigan

We have audited the basic financial statements of the City of Flint, Michigan as of June 30, 2002, and for the year then ended. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IB, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of June 30, 2002.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the City of Flint, Michigan at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the City will continue as a going concern. As shown in the financial statements, the General Fund had a fund balance deficit of \$26,255,585. As more fully discussed in Note V to the financial statements, the General Fund is the main operating fund for the City, and the significant fund balance deficit at year end raises significant doubt about the ability of the City to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with "*Government Auditing Standards*" we have also issued a report dated January 31, 2002 on our consideration of City of Flint's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The management's discussion and analysis on pages 9 through 15 and the information in the required supplemental information section on pages 84 through 92 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section combining and individual non-major fund financial statements and statistical section presented on pages 93 through 147 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Certified Public Accountants
Flint Office

December 16, 2002 (except for the presentation of current and long-term debt in the Hurley Medical Center Proprietary Fund and Note IV.G, as to which the date is January 30, 2003)

Management's Discussion and Analysis

City of Flint Management's Discussion and Analysis

This section of the City of Flint's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2002. Please read it in conjunction with the City's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No.34

The City of Flint is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the City of Flint is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the City of Flint to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The City of Flint will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The City's Total Net Assets are \$ 264.8 million.
- During the year, the City's expenses were \$590,247 less than the \$ 111,238,246 generated in taxes, other revenues and other financing sources for governmental programs. This is a very significant improvement from last year, when the total deficiency for the Primary Government funds was \$13,942,485.
- The City's over-all undesignated deficit of \$28.4 million in fiscal year 2001 was reduced to an undesignated deficit of \$26.6 million in fiscal year 2002. The entire deficit is now in the General fund.
- General fund revenues exceeded expenditures by \$3.7 million.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and sewer system.

- * Fiduciary fund statements provide information about the financial relationships – like the retirement plan for the City’s employees – in which the City acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Table 1 (below) summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Table 1 - Major Features of the City of Flint’s
Government-wide and Fund Financial Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system, and the parking facilities	Instances in which the City is the trustee or agent for someone else’s resources, such as the retirement plan for the City employees
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, Hurley Hospital, and parking facilities are included here.
- **Component units** – The City includes two other entities in its report – the Downtown Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like the Public Improvement Fund) or to show that it is properly using certain taxes and grants (like aid from the US Department of Housing and Urban Development).

The City has three kinds of funds:

- **Governmental funds** – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- In fact, the City’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City’s other programs and activities – such as the City’s Data Processing Fund.
- Fiduciary funds – The City is the trustee, or fiduciary, for its employees’ pension plans. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Changes in Net assets

The City’s combined net assets are \$264.8 million. In comparison, last year net assets were \$277.4 million a decrease of \$12.6 million. The decrease was due primarily to a write-off of accounts receivable of \$9.8 million by the Hurley Medical Center. Hurley Medical Center is a well managed organization that last year had an increase in retained earnings \$2.8 million. The large accounts receivable write off is an unusual item for Hurley Medical Center. Governmental activities have total net assets of \$23.9 million. However, the unrestricted governmental activities net assets have a deficit of \$35.8 million. The deficit is comprised primarily of the \$26.6 million deficit in the General fund, and \$8 million of non-current liabilities from accrued sick and vacations leave.

Governmental Activities

The City’s Administration took major actions this year to avoid the level of deficit reported last year, taking an unfavorable General fund deficiency (expenditures greater than revenues) of \$13,488,166 to a positive excess of \$329,761 and reducing the City wide over-all deficit by \$1.8 million. Administration’s actions were directed at reducing expenses. The City does not have many options to increase revenue. The City’s total governmental fund revenues excluding other financing sources, were \$110.5 million this year. Property and Income taxes were \$48.8 million or 44% of the total revenues. Property and Income taxes increases are controlled by various State laws that favor newer, undeveloped cities while severely restricting developed cities (like Flint) to amounts at or below the rate of inflation. Federal grants and State revenue sharing made up \$44.3 million or 40% of the total revenue but the distribution of those revenues are controlled by Federal and State laws. The remaining 16% of governmental fund revenues are comprised mostly of Charges for Services and Interest revenue.

To achieve the goal of “turning the corner” City Administration reduced Public Safety expenditures by \$3.2 million, Parks and Recreation by \$2 million and General Government by \$3 million. City Administration also reduced the need to transfer money from the General fund to other funds by \$6.5 million while at the same time eliminating the prior year deficits in all other funds.

Business-Type Activities

Operating revenues of the City's business-type activities declined slightly from the prior year of \$331.3 million to the current year total of \$329.2 million. Operating expenses increased by \$7.4 million to \$345.3 million. The major factors contributing to the \$7.4 million increase was a \$4.3 million increase in salaries, wages, and fringe benefits, a \$1.9 million increase in supplies, and a \$1.1 million increase in the cost of water from Detroit. Net changes from non-operating activities declined from revenue of \$5.3 million to an expense of \$4.2 million. The major factor contributing to the decline was the Hurley \$9.8 million accounts receivable write off.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds reported a combined fund balance deficit of \$7.3 million, \$.5 million better than last year. Included in this year's total change in fund balance, is a deficit of \$26.6 million in the City's general fund.

In addition, these other changes in fund balances should be noted:

- A prior year \$84,424 deficit in the Central Maintenance Garage was eliminated.
- A prior year \$460,189 deficit in the Civic Auditorium was eliminated.

General Fund Budgetary Highlights

The budget for 2001 - 02 was passed on June 29, 2001. The City Council voted to close recreation facilities the city jail, two fire stations, cut 86 police and fire positions and 66 other positions - total cuts of about \$16 million. City plans also included the privatization of garbage collection but implementation has been postponed as a result of an arbitration decision. The timely passage of the 2002 budget was a step forward as the 2001 budget was adopted the second week in July. The implementation of the 2001-02 cuts during the fiscal year demonstrates the willingness and the ability of the City administration to solve the City's financial problems without any "bailout" assistance from Federal or State sources.

In April of 2002, the City implemented a comprehensive reorganization of departments and a series of cuts designed to reduce the FY02 budget. The cuts were in response to fourth quarter estimates that expenditures would exceed revenues by up to \$10 million. In order to improve accountability, all project budgets were eliminated, forcing all revenues and expenditures to be recorded in the operating accounts. The Police North-end precinct, several mini stations, and the ambulance service were shut down. Aggressive efforts to negotiate contract concessions were also initiated. Groundwork was laid to balance the FY03 budget.

Capital Assets

At the end of 2002, the City had invested \$180.7 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, GASB has allowed cities to comply with this portion of statement 34 over a number of years.

Long-term Debt

At year-end the City had \$13.5 million in bonds and notes outstanding for governmental activities and \$103.6 million in bonds and notes outstanding for business type activities. Annual debt service requirements for governmental activities debt will decline significantly over the next two years, from \$5.5 million in 2003 to \$2.1 million in fiscal 2005.

Limitations on Debt

The State limits the amount of general obligation debt the City can issue to 7% of the assessed value of all taxable property within the City's corporate limits. Our legal debt limit is \$126.3 million. The City has an available unused portion of \$109.1 million.

Bond Ratings

Moody's Investors Service downgraded Flint, Michigan's general obligation unlimited tax rating to Ba3 from Ba1, affecting \$6.49 million of debt, and has downgraded to B1 from Ba2 the rating on Flint's \$1.185 million general obligation limited tax debt. Moody's also downgraded the rating on Flint Tax Increment Finance Authority's outstanding debt to B1 from Ba2. The rating affects \$6.415 million of debt that is secured by the city's GOLT tax pledge. Moody's has assigned a negative outlook to the City of Flint's debt.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate in the City of Flint reached as high as 15.6% during fiscal year 2002, compared to a Genesee County high of 9.1%. The inflation rate for use in the 2002 capped value formula, and the 2002 "Headlee" millage reduction fraction formula was 3.2%. The capped value and the Headlee millage reduction are key elements in determining property tax revenues.

The City has again produced a timely budget for fiscal year 2003. The City eliminated 136 positions in the fiscal year 2003 budget which when combined with the 152 positions eliminated from fiscal year 2002, totals 288 positions in two years. No surplus money is available for appropriation from the General fund, fund balance. Total appropriations in the General fund 2003 budget are \$69.7 million, a decrease of 17% over the final 2002 budget of \$83.7 million. In addition to the budget reductions, the City plans to sell \$26.6 million in deficit stabilization bonds. If these estimates are realized, the City's budgetary general fund balance is expected to have eliminated the deficit by the end of fiscal 2003.

Deficit Elimination Plan Still in Process

The State of Michigan has not yet approved a definitive Deficit Elimination Plan (DEP). A tentative plan consists of issuing \$26.6 million in deficit stabilization bonds through the State of Michigan, and paying them back over 20 years or less. The plan will eliminate the deficit by the end of fiscal year 2003. In the past the DEP could not be formulated because a consensus could not be achieved between the Mayor and Council. However, two events have made the formulation and approval of a DEP possible; first, in March 2002, Flint voters recalled the Mayor breaking the consensus logjam, second in July 2002, the Governor of Michigan appointed an Emergency Financial Manager with considerable financial authority over the City Council.

The Emergency Financial Manager has a deadline of January 31, 2003 to develop a plan to eliminate the \$26.6 million General Fund deficit. The Emergency Financial Manager will present a five-year Deficit Elimination Plan to the State and receive permission to issue deficit stabilization bonds. The five-year projections will include additional structural budget changes that would return the city to balanced operations while providing

adequate funding for debt service. The City will pledge future State Shared Revenues and the outstanding bonds would carry the city's general obligation limited tax pledge. The debt service will be paid from the City's severely constrained limits. However, as the bond proceeds will be used to pay back long term loans from the Water and Sewer funds, the interest the City has been paying to the Water and Sewer funds for the money taken from those funds to meet General fund obligations will be applied to the deficit stabilization bonds debt service. In addition, existing debt service requirements will drop significantly due to the expiration of debt service obligations over the fiscal years 2003 and 2004.

Contacting the City's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Flint's Finance Department, 1101 South Saginaw Street, Flint, MI 48502.

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Basic Financial Statements

City of Flint, Michigan
Notes to Basic Financial Statements
June 30, 2002

I. Summary of significant accounting policies

A. Reporting entity

The City of Flint (City) is a municipal corporation governed by an elected mayor and a nine member council. Pursuant to Public Act 72 of 1990, the State Treasurer by resolution of the State legislature conducted a preliminary review of the finances of the City of Flint to determine whether or not a serious financial problem existed. As a result of the Flint Financial Review Team's report, it was determined that a local government financial emergency existed which resulted in the Governor's concurrence with the Financial Review Team's findings, and the appointment of an Emergency Financial Manager in July of 2002. All authority related to the financial operations of the City of Flint are now vested in the Emergency Financial Manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units:

The Atwood Stadium Building Authority serves all citizens and is responsible for major capital improvements to Atwood Stadium, a recreational facility. The City appoints the governing board and all surplus funds existing at the termination of the Authority vest to the City. The Authority is reported as a governmental fund.

The Flint Employees Retirement System (FERS) is a defined benefit pension plan that provides retirement benefits to certain City retirees. The FERS was established and governed by City ordinance, with the Board of Trustees comprising of City officials and retirees. The FERS is reported as a Pension Trust Fiduciary Fund.

Discretely presented component units:

The Flint Downtown Development Authority (Authority) was created under State law to promote and rehabilitate the downtown area. The Authority sponsors downtown events and manages parking facilities. State law provides for a specific tax levy for the operations of the Authority. The City appoints the Board and has to approve the annual budget and the issuance of any debt. Any surplus funds remaining at the termination of the Authority vest to the City. The Authority is presented as a governmental activity.

The City of Flint Economic Development Corporation (Corporation) was created under State law to provide financing and development opportunities for businesses located within the City. The Corporation provides loans to start up or expanding businesses and manages rental property that lease space to commercial and light industrial manufacturing companies. The City created the Corporation and provided facilities and employers to operate the Corporation through April 2002. Effective May 13, 2002 an agreement with the Flint – Genesee Growth Alliance was approved to provide administrative support services to the Corporation at no charge to the Corporation. The agreement may be terminated by either the Corporation or the Flint-Genesee Growth Alliance by giving the other party thirty days written notice of such termination. Surplus funds existing at the termination of the Corporation vest to the City.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

A. Reporting entity – (continued)

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Flint Downtown Development Authority
Suite 206
412 S. Saginaw Street
Flint, Michigan 48502

Flint Economic Development Corporation
1101 S. Saginaw Street
Flint, Michigan 48502

During 1998 the City entered into a joint venture with Mt. Morris Charter Township to create the Flint Area Enterprise Community. The Flint Area Enterprise Community was created as a Michigan non-profit corporation under the Urban Cooperative Act to facilitate economic and community development in a region that includes portions of both municipalities.

Financial statements for Flint Area Enterprise Community are not available.

Hurley Medical Center Enterprise Fund:

The Hurley Medical Center Enterprise Fund is a separate administrative unit of the City of Flint. The Medical Center provides inpatient, outpatient and emergency care services in Genesee and surrounding counties.

The Enterprise fund financial statements present the Medical Center and it's wholly owned subsidiary Hurley Health Services, Inc. on a consolidated basis.

The Medical Center is the sole member of Hurley Health Services, Inc., (HHS) a municipal support organization organized on a non-profit, non-stock membership basis. HHS on a consolidated basis, is comprised of two non-profit entities (HHS and H-Corporation of Mid-Michigan) and one "for profit" corporation (Hurley Practice Management Services). HHS began operations January 1, 1998.

The Medical Center and HHS are exempt from income taxes except for HHS's subsidiary, Hurley Practice Management Services. A provision for income taxes (at statutory rates) has been provided for in the consolidated financial statements related to this entity's transactions. The amount of the income tax provision is \$(8,826) and is included in "payroll taxes and fringes" line item. Hurley Practice Management Services (HPMS), adopted Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the current enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

A. Reporting entity – (continued)

Hurley Medical Center Enterprise Fund: - (continued)

The Hurley Medical Center Enterprise Fund (Medical Center) participates in five privately held joint ventures, Greater Flint Area Hospital Imaging Center, Inc. (GFAHIC), Flint Health Systems Imaging Center, Inc., (FHSIC), HGH, Inc., (HealthPlus Partners), Hurley PHO of Mid-Michigan and Michigan Lithotripsy Network.

GFAHIC and FHSIC provide magnetic resonance imaging (MRI) services to the Greater Flint and Genesee County community. The ownership of both Corporations is allocated between Hurley Medical Center, Genesys Regional Medical Center, and McLaren Regional Medical Center. Each corporate joint venture is recorded in the financial statements on the equity method of accounting. The joint venture provides that each participant shares in the annual earnings/loss of the Corporations. The net investment by the Medical Center at June 30, 2002 was \$3,123,893. A total of \$1,469,663 was distributed to the Medical Center during the year ended June 30, 2002.

HGH, Inc. is a joint venture among Hurley Medical Center, HealthPlus of Michigan, Inc., Genesys Regional Medical Center and Memorial Health Care Center. The venture was established during 1995 to provide a methodology to enroll Medicaid patients in the statewide managed care initiative for Medicaid. The Medical Center's net investment was \$(379,317) at June 30, 2002. The arrangement provides that the four entities will share in the excess revenues or expenditures of the joint venture.

Hurley PHO of Mid-Michigan is a joint venture between Hurley Medical Center and its medical staff. The venture was established during 1997 to provide vertically integrated continuous care which will facilitate the Medical Center participating in managed care contracts in the future. The Medical Center's net investment at June 30, 2002 was \$576,785. The arrangement provides that the Medical Center will be allocated 50 percent of the excess revenues or expenditures of the joint venture.

Michigan Lithotripsy Network is a joint venture between Hurley Medical Center and six other hospitals. The venture was established during 2000 to provide a mobile lithotripsy unit to be utilized by the participating hospitals. The Medical Center's net investment at June 30, 2002 was \$62,357. The arrangement provides that the seven hospitals will share equally in the excess revenues or expenditures of the joint venture.

The financial statements of each entity are available at the Hurley Medical Center's administrative office.

The following organization is not part of the City of Flint and is excluded from the accompanying financial statements for the reasons stated. The following disclosures are included to meet state of Michigan reporting requirements.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

A. Reporting entity – (continued)

Flint Housing Commission:

- * City does not guarantee the commission's debts
- * City does not approve the operating budget
- * Governing board is essentially autonomous
- * City has no obligations to fund deficits

The Flint Housing Commission was created by the City of Flint in accordance with the laws of the State of Michigan. Its main purpose is to administer activities that provide sanitary housing facilities for low-income families and the elimination of housing conditions that are detrimental to public peace, health, safety, and welfare. The commission's policy is to prepare its financial statements on the basis prescribed by the Department of Housing and Urban Development. Accordingly, the summary information below (which is required by state regulations), is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Summary financial information for the fiscal year ended June 30, 2001, the date of its latest audited financial report, is as follows:

Total Assets	\$30,790,828
Total Liabilities	856,071
Total Deficit	(3,737,363)
Total Revenues	9,738,346
Total Operating Expenditures	9,202,928
Non Operating Revenue	9,629,932
Net Loss	535,417

B. Government-wide and fund financial statements

During the year ended June 30, 2002, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

B. Government-wide and fund financial statements - (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

The government reports the following major governmental funds:

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction. The State of Michigan has designated these funds as major governmental funds.

The government reports the following major proprietary funds:

The Hurley Medical Center Enterprise Fund is used to account for the financial operations of Hurley Hospital. The Hospital is owned by the City and is managed by an eleven member board of managers that are appointed by the mayor with the approval of City Council

The Water Supply and Sewer Disposal System is a division of the City's Department of Public Work. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection statements and the sewer treatment plant.

Additionally, the government reports the following fund types:

Internal service funds account for data processing, central stores, work order projects, self insurance, and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Pension Trust funds account for the activities of the four different funds utilized to pay retirement benefits for City retirees. These funds accumulate resources for pension benefits financed by both employer and employee contributions.

Private Purpose Trusts account for resources legally held in trust to be expended in accordance with charitable trusts established by third parties. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governments.

Pension Trusts, Private Purpose Trusts, and Agency funds are reported as fiduciary funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Hurley Medical Center enterprise fund, the Water and Sewer enterprise funds, other enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Pooled cash and investments:

Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the Pooled Cash and Investments Account consist primarily of certificates of deposit with a maturity date greater than three months from the date acquired by the City, top grade commercial paper and government securities, and mutual funds, and are carried at fair market value.

At June 30, 2002, some funds have overdrawn their share of the pooled cash and investments. Fund overdrafts of pooled cash and investments are reported as an interfund liability of that fund. Management has selected the following funds to report the interfund receivable; Sewage Disposal Enterprise Fund, Water Supply Enterprise Fund, and the Self Insurance Internal Service Fund. Accordingly, these funds' pooled cash and investment balances, as reported on the financial statement, have been decreased by the amounts receivable from the other City funds with an overdraft.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

2. Pooled cash and investments: - (continued)

Interest income earned as a result of pooling cash and investments is distributed to the participating funds monthly utilizing a formula based on the average daily balance of each fund's share of the total pooled cash and investments. Funds which have overdrawn their share of pooled cash and investments are charged interest costs.

For purposes of the statement of cash flows, pooled cash and investments have been considered as cash and cash equivalents.

3. Investments:

Investments for the City, as well as for its component units, are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

4. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

5. Inventories and prepaid items

All inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted assets

These assets are restricted through bond or grant agreements, or represent donated assets whose disposition is specified by the donor.

Restricted assets which are recorded in the Hurley Medical Center Enterprise Fund consist of:

- Assets set aside by the Board of Managers for identified purposes, and over which the Board retained control, and may at its discretion subsequently use for other purposes.
- Proceeds of debt issues and funds of the Center deposited with a trustee and limited to use in accordance with the requirements of an indenture.
- Assets restricted by outside donors.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

6. Restricted assets - (continued)

Restricted assets recorded in the Water Supply Enterprise fund consists of amounts set aside for equipment replacement as required by the Drinking Water Revolving Fund Revenue Bonds.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended June 30, 2002. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The City has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to July 1, 2001 and record those assets on the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

8. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accumulate sick leave credit bi-weekly based on the various bargaining unit agreements. Sick leave may accumulate indefinitely. Upon retirement or death, the first 480 hours of accrued sick leave is paid in full at the employee's current pay rate. The next 480 hours are forfeited by the employee, except for certain police employees who are paid for these hours at half the employee's current rate. All accrued hours in excess of 960 are paid at half the employee's current rate. Employees earn annual vacation leave bi-weekly at various rates based on bargaining unit and seniority. Each bargaining unit and seniority level determines the cap on the number of hours that can be accrued for annual vacation leave. Vacation leave is paid at the employee's current pay rate when used or upon retirement. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Property tax

The City's property tax is levied each July 1 on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the City. On July 1, the property tax attachment is an enforceable lien on the property. Assessed values are established by the City Assessor at 50% of estimated market value.

The City is permitted by the City Charter to levy up to 10 mills on taxable valuation assessments. For the year ended June 30, 2002, the City levied the full 10 mills allowed. The levy consists of 7.5 mills for operating costs and 2.5 mills restricted for public improvement. The City levies 3.0 mills for garbage collection, which is in accordance with State law.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

11. Property tax - (continued)

A special voted assessment of .5 mills is levied for both paramedic services and dedicated funds for the improvement and maintenance of City parks, forestry and recreation services. The park millage is a ten year millage for the period 1997-2006. In addition, the City was authorized by the electorate to levy an additional property tax at the rate of 2.0 mills with all revenue received to be used to fund a city-wide neighborhood police program (a five year millage 2001-2005). Because these additional levies were approved by a special vote, they do not fall under the 10 mill charter limitation.

Taxes on the operating, public improvement, garbage collection, parks, and neighborhood police levies are billed July 1 and may be paid in three (3) equal installments due by July 31, October 31, and February 28, following the levy date. Taxes on the paramedic service levy are billed on December 1 and due in one installment by February 28. Property tax receivables are recorded as a receivable and offsetting deferred revenue when levied and due. Property taxes are recognized as revenues when collected or when considered measurable and available. The City considers property taxes as available if they are collected within 60 days after year end.

12. Hurley Medical Center - cost based reimbursement:

Patient accounts receivable at June 30, 2002, and revenues for the year then ended, include estimated amounts due from various third-party payors which are computed in accordance with their respective reimbursement formulas.

Adjustments made by third-party payors upon settlement of prior-year cost reports are included in the statement of revenues and expenses in the year such adjustments become known. As a result of such adjustments, net patient service revenues were increased by approximately \$2,400,000 in 2002.

In addition, the Medical Center has established an estimated allowance for uncollectible accounts of approximately \$18,800,000 for 2002.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	\$11,406,858
Capital leases payable	1,283,408
Compensated absences	<u>8,398,120</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$21,088,386</u></u>

II. Reconciliation of government-wide and fund financial statements - (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$9,567,247
Depreciation expense	<u>(4,193,012)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$5,374,235</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first meeting in April, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds. (These funds are required to have budgets per Michigan law).
2. Public hearings are conducted at city hall and throughout the City to obtain taxpayer comments.
3. At the first City Council meeting in June, the budget is legally enacted at a departmental (activity) through the passage of a resolution in accordance with State law.

Informational summaries of projected revenues and expenditures/expenses are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

4. The Mayor, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any budgetary level (as indicated above) must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

III. Stewardship, compliance, and accountability - (continued)

A. Budgetary information - (continued)

6. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
7. The original budget was amended during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

The following individual cost centers incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
General Fund:			
Judicial:			
68 th District Court:			
District Court – operations	\$ 4,484,330	\$ 4,542,318	\$ (57,988)
General Government:			
Boards and commissions:			
Civil Service	208,585	212,469	(3,884)
Mayor’s Office	344,432	429,429	(84,997)
Department of Finance:			
Treasury – collection enforcement division	227,257	357,358	(130,101)
Budget office	243,674	254,823	(11,149)
Office of the City Clerk:			
Licensing division	301,203	322,087	(20,884)
Board of Review	13,617	31,369	(17,752)
Department of Purchases and Supplies:			
Equal opportunity	2,354	5,685	(3,331)
Personnel Office:			
Personnel	519,453	524,455	(5,002)
Labor relations	538,312	559,873	(21,561)

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

III. Stewardship, compliance, and accountability - (continued)

B. Excess of expenditures over appropriations – (continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
General Fund: - (continued)			
Office of the Ombudsman	289,814	292,357	(2,543)
Office of City Administrator:			
911 Center	2,561,296	2,624,311	(63,015)
Law office:			
GM tax settlement	585,457	800,000	(214,543)
Public Safety:			
Police Department:			
Police administration	1,080,291	1,137,519	(57,228)
Crime control and investigation	21,649,806	22,008,806	(359,000)
Fire Department:			
Fire Prevention Bureau	9,841	18,675	(8,834)
Public Works:			
Waste collection	3,193,848	4,469,356	(1,275,508)
Building and safety inspections	873,955	1,686,409	(812,454)
Parks and Recreation:			
Parks & Recreation Department:			
Swimming pools	34,449	71,339	(36,890)
Riverbank park maintenance	102,859	152,968	(50,109)
Youth activities	44,236	45,837	(1,601)
Operating transfers out	3,059,081	3,229,910	(170,829)
Operating transfers to component units	-	174,646	(174,646)
Special Revenue Funds:			
Local Streets Fund:			
Routine maintenance	2,381,012	3,177,655	(796,643)
Leaf pick-up	288,711	471,686	(182,975)
St. John Industrial Park:			
Operating transfers out	-	59,390	(59,390)
Buick City TIFA:			
Operating transfers out	-	14,210	(14,210)
EDA Revolving Loan:			
Community enrichment and development	284,743	394,507	(109,764)

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

III. Stewardship, compliance, and accountability – (continued)

C. Deficit fund equity

The City has accumulated an unreserved fund balance deficit in the following fund:

<u>Fund</u>	<u>Fund Balance Deficit</u>
General Fund	\$(26,617,953)

The deficit in the general fund was caused by expenditures in excess of revenues.

IV. Detailed notes on all funds

A. Pooled cash and investments, deposits, and investments

The City maintains a cash and investment pool that is available for use by all funds except the ICMA 401 Retirement Pension Trust Fund. Each fund types' portion of this pool is displayed on the combined balance sheet as "Pooled Cash and Investments."

The pooled cash and investments account at June 30, 2002 is comprised of the following:

Cash deposits	\$ 8,652,522
Investments	<u>33,204,493</u>
	<u><u>\$41,857,015</u></u>

A summary of the amount of equity in the pooled cash and investments account, or the amount due to the Water Supply Enterprise Fund, Sewage Disposal Enterprise Fund, and Self Insurance Internal Service Fund at June 30, 2002, follows:

<u>Fund</u>	<u>Pooled Cash and Investments</u>	<u>(Due to)</u>
General Fund	\$ -	\$(35,294,517)
Special Revenue Funds:		
Major Streets Fund	9,527,454	-
Local Streets Fund	1,009,759	-
Federal Grants Fund	-	(2,786,794)
Neighborhood Policing Fund	1,402	-
State Act 251 - Forfeitures Fund	576,668	-
AutoWorld TIFA Fund	54,443	-
EDA Revolving Loan Fund	708,180	-
Atwood Stadium Fund	5,303	-
Local Law Enforcement Grant	1,004,021	-
Parks and Recreation	1,313,067	-
Central Maintenance Garage	339,454	-

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

A. Pooled cash and investments, deposits, and investments - (continued)

<u>Fund</u>	<u>Pooled Cash and Investments</u>	<u>(Due to)</u>
Debt Service Funds:		
Hyatt Debt Service Fund	69,099	-
Windmill Place Debt Service Fund	64,404	-
Buick City Debt Service Fund	-	(532,710)
Capital Projects Funds:		
Public Improvement Fund	2,995,509	-
Enterprise Funds:		
Civic Auditorium Fund	-	(1,802,168)
Mid-City Parking System Fund	-	(1,508,463)
Water Supply Division Fund	7,665,380	-
Sewage Disposal Division Fund	36,572,912	-
Internal Service Funds:		
Data Processing Fund	-	(608,031)
Central Stores Fund	-	(629,098)
DPW Fund	386,876	-
Fringe Benefits Fund	369,990	-
Self-Insurance Fund	4,840,658	-
Pension Trust Funds:		
Charter Retirement Fund	-	(2,677)
Flint Employees' Retirement System Fund	274,549	-
Excess Pension Benefit Fund	8,016	-
Expendable Trust Funds:		
City Park Endowment Fund	6,561	-
Longway Trust Fund	99,976	-
Agency Funds:		
Miscellaneous Agency Fund	16,945,421	-
District Court Fund	108,706	-
Unqualified Deferred Compensation Fund	73,665	-
	85,021,473	
	(43,164,458)	43,164,458
Total pooled cash and investments	\$41,857,015	

B. Deposits and investments

At year end, the City's carrying amount of deposits was \$18,443,388, excluding petty cash and cash register funds of \$30,660, and the bank balance was \$30,700,993. Of the bank balance, \$4,686,475 was covered by federal depository insurance or by collateral held by the City's agent in the City's name. The component units' deposits had a bank balance of \$1,082,160 of which \$820,169 was covered by federal depository insurance.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

B. Deposits and investments - (continued)

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Pooled cash and investments	\$21,754,867	\$ -	\$ 17,516,894	\$ 39,271,761	\$ -
Cash and cash equivalents	1,242,724	11,040,825	351,972	12,635,521	1,100,859
Investments	1,074,884	-	756,441,937	757,516,821	588,133
Restricted pooled cash and investments	-	2,585,254	-	2,585,254	-
Restricted cash and equivalents	-	13,334,683	-	13,334,683	-
Restricted investments	-	21,887,862	-	21,887,862	-
Total	<u>\$24,072,475</u>	<u>\$48,848,624</u>	<u>\$774,310,803</u>	<u>\$847,231,902</u>	<u>\$1,688,992</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank deposits (checking and savings accounts, certificates of deposits)	\$ 18,443,388	\$1,099,077
Investments in securities, mutual funds and similar vehicles	828,757,854	589,415
Petty cash and cash on hand	30,660	500
Total	<u>\$847,231,902</u>	<u>\$1,688,992</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

B. Deposits and investments - (continued)

At year end, the City's categorized investment balances were as follows:

	Category			Reported Amount/ Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Banker's acceptances	\$ -	\$ -	\$ 200	\$ 200
Commercial paper	19,861,065	-	-	19,861,065
Repurchase agreements	-	-	7,342,679	7,342,679
U.S. Gov't. securities	265,715,382	-	-	265,715,382
Domestic corporate bonds	80,168,778	-	-	80,168,778
Foreign bonds	12,640,872	-	-	12,640,872
Domestic common stock	348,090,679	-	-	348,090,679
International stock	7,275,857	-	-	7,275,857
Preferred stock	-	-	-	-
Total categorized	<u>\$733,752,833</u>	<u>\$ -0-</u>	<u>\$7,342,679</u>	741,095,512
Investments not subject to categorization:				
Pooled Gov't. Securities				2,764,989
Mutual funds				69,137,040
CMO's				32,868
Real estate				15,694,069
Investment in partnership				<u>33,376</u>
Total investments				<u>\$828,757,854</u>

The City's investment policy authorizes the City and its component units to invest in obligations of the U.S. Treasury and obligation of U.S. agencies, where the principal and interest are fully guaranteed by the United States, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations secured by obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The City's investment policy further requires that the City's investments be limited to \$1,000,000 in any one name, \$6,000,000 in A2 rated commercial paper, and \$100,000 in nonrated investments. City Council has not restricted the depositories which the City can use.

The Hurley Medical Center Enterprise Fund's investing is controlled by Hurley Medical Center's Chief Financial Officer. Hurley has adopted the above City investment policy as its policy for investment of unrestricted funds. Hurley also must adhere to donor restrictions on the investing of any restricted funds received.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

B. Deposits and investments - (continued)

State statutes authorize the Pension Trust Funds to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A2 by Standard & Poor's Corporation or P2 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, reverse repurchase agreements, corporate stocks, corporate bonds, diversified investment companies, annuity investment contracts, and certain real estate or mortgages.

The City's investments in collateralized mortgage obligations, partnerships, real estate, mutual funds, and pooled governmental securities are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

The City's investments in real estate and partnership interests are not categorized by risk because they are not considered investment securities.

The Flint Employees' Retirement System Fund owns approximately 92.9 percent of the investments in category 1. The Hurley Medical Center Enterprise Fund owns approximately 2.6 percent of investments in category 1.

The City deals only with qualified banks and primary investment firms that adhere to the specific guidelines established by industry practice for repurchase agreements. Guidelines indicate that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. On no occasion during the year did the market value of the underlying securities for repurchase agreements fall below this required level.

At year end, the component unit's investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreement	\$ -0-	\$ -0-	\$589,415	\$589,415

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

C. Receivables

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Nonmajor Internal Service and Other Funds</u>	<u>Total</u>
Receivables:					
Interest and dividends	\$ -	\$ -	\$ -	\$ 4,629,842	\$ 4,629,842
Taxes	883,998	-	-	3,701,650	4,585,648
Accounts	14,760,606	81,271	79	1,925,158	16,767,114
Special assessment	541,236	-	-	-	541,236
Intergovernmental	7,432,275	1,199,759	350,533	4,005,006	12,987,573
Notes and leases	189,000	-	-	5,458,050	5,647,050
Participant loans	-	-	-	267,612	267,612
	<hr/>				
Gross receivables	23,807,115	1,281,030	350,612	19,987,318	45,426,075
Less: allowance for uncollectibles	(8,990,914)	(77,043)	(79)	(413,702)	(9,481,738)
	<hr/>				
Net total receivables	<u>\$14,816,201</u>	<u>\$1,203,987</u>	<u>\$350,533</u>	<u>\$19,573,616</u>	<u>\$35,944,337</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 883,998	\$ -
Delinquent property taxes receivable	520,028	-
Special Assessments not yet due (general fund)	541,216	-
Long-term notes receivables (general fund)	189,000	-
Long-term notes receivable	2,541,085	-
Other long-term receivables	478,547	-
Grant drawdowns prior to meeting all eligibility requirements	-	559,416
	<hr/>	
Total deferred/unearned revenue for governmental funds	<u>\$5,153,874</u>	<u>\$559,416</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

C. Receivables - (continued)

Business type activities:

	<u>Hurley Medical Center</u>	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Receivables:					
Interest - restricted	\$ 233,532	\$ -	\$ -	\$ -	\$ 233,532
Accounts	94,515,889	12,088,248	6,983,886	419,249	114,007,272
Gross receivables	94,749,421	12,088,248	6,983,886	419,249	114,240,804
Less: allowance for uncollectibles	<u>(18,800,000)</u>	<u>(8,694,522)</u>	<u>(2,933,243)</u>	<u>(188,005)</u>	<u>(30,615,770)</u>
Net total receivables	<u>\$ 75,949,421</u>	<u>\$ 3,393,726</u>	<u>\$ 4,050,643</u>	<u>\$ 231,244</u>	<u>\$ 83,625,034</u>

D. Capital assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,775,748	\$ -	\$ -	\$ 13,775,748
Construction in progress	-	384,122	-	384,122
Total capital assets, not being depreciated	<u>13,775,748</u>	<u>384,122</u>	<u>-</u>	<u>14,159,870</u>
Capital assets, being depreciated:				
Buildings	17,087,220	1,779,781	-	18,867,001
Improvements other than buildings	10,423,323	409,681	-	10,833,004
Machinery and equipment	36,941,393	241,113	62,160	37,120,346
Infrastructure	-	6,752,550	-	6,752,550
Total capital assets being depreciated	<u>64,451,936</u>	<u>9,183,125</u>	<u>62,160</u>	<u>73,572,901</u>
Less accumulated depreciation for:				
Buildings	9,850,201	520,695	-	10,370,896
Improvements other than buildings	3,969,835	464,577	-	4,434,412
Machinery and equipment	21,734,745	3,726,590	62,160	25,399,175
Infrastructure	-	562,062	-	562,062
Total accumulated depreciation	<u>35,554,781</u>	<u>5,273,924</u>	<u>62,160</u>	<u>40,766,545</u>
Total capital assets, being depreciated, net	<u>28,897,155</u>	<u>3,909,201</u>	<u>-</u>	<u>32,806,356</u>
Governmental activities capital assets, net	<u>\$ 42,672,903</u>	<u>\$ 4,293,323</u>	<u>\$ -0-</u>	<u>\$ 46,966,226</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

D. Capital assets - (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,152,712	\$ -	\$ -	\$ 7,152,712
Construction in progress	31,308,075	21,527,883	29,823,790	23,012,168
Total capital assets, not being depreciated	<u>38,460,787</u>	<u>21,527,883</u>	<u>29,823,790</u>	<u>30,164,880</u>
Capital assets, being depreciated:				
Buildings and system	138,760,361	18,036,235	14,403	156,782,193
Improvements other than buildings	3,513,383	2,330,736	2,206	5,841,913
Machinery and equipment	310,386,693	8,196,592	1,890,622	316,692,663
Total capital assets, being depreciated	<u>452,660,437</u>	<u>28,563,563</u>	<u>1,907,231</u>	<u>479,316,769</u>
Less accumulated depreciation for:				
Buildings and system	113,389,229	8,645,714	14,403	122,020,540
Improvements other than buildings	3,621,025	182,395	252	3,803,168
Machinery and equipment	157,682,363	10,887,300	1,775,818	166,793,845
Total accumulated depreciation	<u>274,692,617</u>	<u>19,715,409</u>	<u>1,790,473</u>	<u>292,617,553</u>
Total capital assets, being depreciated, net	<u>177,967,820</u>	<u>8,848,154</u>	<u>116,758</u>	<u>186,699,216</u>
Business-type activities capital assets, net	<u>\$216,428,607</u>	<u>\$30,376,037</u>	<u>\$29,940,548</u>	<u>\$216,864,096</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

Legislative	\$ 19,933
Judicial	31,762
General government	1,273,410
Public safety	1,379,606
Public works	1,480,158
Parks and recreation	1,075,830
Community enrichment and development	13,225

Total depreciation expense – governmental activities \$5,273,924

Business-type activities:

Hospital	\$13,395,017
Water	2,055,962
Sewer	5,267,064
Civic Arena	367,293

Total depreciation expense – Business-type activities \$21,118,963

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

D. Capital assets - (continued)

Construction commitments:

The government has active construction projects as of June 30, 2002. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and bridges. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>
Residential street construction	\$ 353,788
Road and bridge expansion	35,000
Parks facilities	<u>1,667,295</u>
Total	<u><u>\$2,056,083</u></u>

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners. The public-purpose portion of this same project is being funded by the transfer of existing resources from the general fund. The commitment for road and bridge expansion is being financed entirely from grants from the Federal Highway Administration. The commitment for wastewater treatment facilities is being financed by revenue bonds secured by sewer revenues.

Discretely presented component units:

Activity for the Flint Downtown Development Authority for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$5,498,512	\$ -	\$ -	\$5,498,512
Capital assets, being depreciated:				
Buildings	194,643	10,406	-	205,049
Land improvements	1,457,327	-	-	1,457,327
Leasehold improvements	5,519,160	-	-	5,519,160
Machinery and equipment	40,266	919	-	47,185
Totals, capital assets being depreciated	<u>7,217,396</u>	<u>11,325</u>	<u>-</u>	<u>7,228,721</u>
Less accumulated depreciation for:				
Buildings	136,078	21,763	-	157,841
Land improvements	1,230,366	59,720	-	1,290,086
Leasehold improvements	3,910,214	281,534	-	4,191,748
Machinery and equipment	32,495	4,337	-	36,832
Total accumulated depreciation	<u>5,309,153</u>	<u>367,354</u>	<u>-</u>	<u>5,676,507</u>
Total capital assets, being depreciated, net	<u>1,908,243</u>	<u>(356,029)</u>	<u>-</u>	<u>1,552,214</u>
Capital assets, net	<u><u>\$7,406,755</u></u>	<u><u>\$(356,029)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$7,050,726</u></u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

D. Capital assets - (continued)

Discretely presented component units: - (continued)

Activity for the Flint Economic Development Corporation for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Capital assets, being depreciated:				
Buildings	514,782	-	-	514,782
Leasehold improvements	351,270	298,647	-	649,917
Machinery and equipment	17,046	-	-	17,046
Totals, capital assets being depreciated	<u>883,098</u>	<u>298,647</u>	<u>-</u>	<u>1,181,745</u>
Less accumulated depreciation for:				
Buildings	320,195	24,323	-	344,518
Leasehold improvements	147,596	25,030	-	172,626
Machinery and equipment	12,964	736	-	13,700
Total accumulated depreciation	<u>480,755</u>	<u>50,089</u>	<u>-</u>	<u>530,844</u>
Total capital assets, being depreciated, net	<u>402,343</u>	<u>248,558</u>	<u>-</u>	<u>650,901</u>
Capital assets, net	<u>\$ 496,203</u>	<u>\$ 248,558</u>	<u>\$ -0-</u>	<u>\$ 744,761</u>

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2002 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Enterprise	General	\$35,187,483
	Federal grants:	
	Special Revenue	1,385,429
Water Enterprise	Federal grants:	
	Special Revenue	1,401,365
	Buick City Debt Service	532,710
	Civic Auditorium Enterprise	1,802,168
	Mid City Parking Enterprise	1,343,883
Fringes Internal Service	Pension Trust	482,839
Self Insurance Internal Service	General	107,034
	Mid City Parking Enterprise	164,580
	Data Processing Internal Service	608,031
	Central Stores Internal Service	629,098
	Charter Retirement Trust	<u>2,677</u>
		<u>\$43,647,297</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

E. Interfund receivables, payables, and transfers - (continued)

The receivables in the Sewer and Water Enterprise funds and the Self Insurance Internal Service fund were created through negative pooled cash in other funds. At June 30, 2002, the time in which it will take the other funds to repay these amounts is unknown so they have been classified as long-term receivables.

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government: General Fund	Component Unit – EDC	\$256,214
Primary Government: General Fund	Component Unit – DDA	232,502
Primary Government: Public Improvement Fund		252,308
Component Unit – EDC	Primary Government General Fund	164,640
Component Unit – EDC	Primary Government General Fund	108,845
		<u>\$1,014,509</u>

	<u>Transfer In</u>			
	<u>Local Streets</u>	<u>Nonmajor Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
Transfer out:				
General fund	\$ -	\$3,002,688	\$227,222	\$3,229,910
Major streets	2,000,000	-	-	2,000,000
Nonmajor governmental funds	-	1,272,330	-	1,272,330
Total transfers out	<u>\$2,000,000</u>	<u>\$4,275,018</u>	<u>\$227,222</u>	<u>\$6,502,240</u>

Transfers between funds were primarily for operating purposes. Other transfers were made to cover operating deficits or close funds.

F. Capital and operating leases

The City has entered into agreements for the lease of automobiles, water treatment equipment, office equipment, construction equipment, fire equipment, and a fire station. The terms of each agreement provide options to purchase the fixed assets at any time during the lease terms, which range from three to five years. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$1,770,761 has been capitalized as equipment.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

F. Capital and operating leases - (continued)

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of June 30, 2002:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2002	\$ 544,718
2003	466,819
2004	382,179
2005	<u>140,717</u>
Total minimum lease payments - capital leases	1,534,433
Less: amount representing interest	<u>(251,024)</u>
Present value of net minimum lease payments - capital leases	<u><u>\$1,283,409</u></u>

Also, the City and Hurley Medical Center lease office space and equipment under operating leases. Certain office space operating leases contain rental escalation clauses that are based on prime rate at a future date and purchase options at fair market value. The following is a schedule, by year, of future minimum rental payments required under noncancelable operating leases as of June 30, 2002:

2003	\$ 2,296,322
2004	2,157,309
2005	1,904,474
2006	1,782,966
2007	1,741,664
2008 and after	<u>7,154,757</u>
Total minimum payments required - operating leases	<u><u>\$17,037,492</u></u>

Rental expense for all operating leases for the year ended June 30, 2002, was \$4,894,705.

G. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government. All Michigan Municipal Bond Authority debt is secured by future State of Michigan Revenue Sharing payments the City is entitled to receive under state law. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

G. Long-term debt - (continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>General Obligation Bonds</u>	Revenue Bonds and Notes	Other Notes	Capital Leases
Governmental Activities:				
Debt at July 1, 2001	\$10,717,241	\$ -	\$ 3,574,670	\$1,788,667
Note payable	-	-	1,172,000	-
Principal payments made	<u>(2,571,745)</u>	-	<u>(685,306)</u>	<u>(505,259)</u>
Total governmental activities long-term debt	<u>8,145,494</u>	-	<u>4,061,364</u>	<u>1,283,408</u>

The following is a summary of Business Type long-term debt transactions of the City for the year ended June 30, 2002:

	<u>General Obligation Bonds</u>	Revenue Bonds and Notes	Other Notes	Capital Leases
Business type activities:				
Long-term debt payable at July 1, 2001	11,951,988	79,032,559	4,995,183	-
New Debt:				
2002 MMBA Bonds	-	-	-	-
Equipment note payable	-	11,862,101	4,000,000	-
Principal payments made	<u>(2,688,848)</u>	<u>(4,900,000)</u>	<u>(701,667)</u>	-
Total business type activities long-term debt at June 30, 2002	<u>9,263,140</u>	<u>85,994,660</u>	<u>8,293,516</u>	-
Total long-term debt - all activities June 30, 2002	<u>\$17,408,634</u>	<u>\$85,994,660</u>	<u>\$12,354,880</u>	<u>\$1,283,408</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

G. Long-term debt - (continued)

A summary of bond transactions for the year ended June 30, 2002, and the composition of the June 30, 2002, long-term debt balance follows:

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Balance at June 30, <u>2001</u>	Issuances (Retirements) <u>During Year</u>	Balance at June 30, <u>2002</u>
Governmental Activities:					
1991 Refunding bonds	6-1-05	5.0-6.4	\$ 1,090,000	\$ (360,000)	\$ 730,000
1993 Tax Increment Financing Authority Refunding Bonds	6-1-06	5.8	6,415,000	(1,385,000)	5,030,000
1993 Downtown Development Refunding Bonds	6-1-03	5.4	95,000	(50,000)	45,000
McCollum Avenue Drain Contract	5-1-10	5.10	949,229	(80,595)	868,634
Capital lease obligations	3-1-04	6.12	386,685	(119,940)	266,745
Section 108 loan			-	1,172,000	1,172,000
Settlement - General Motors					
Tax Appeal	7-31-02	N/A	1,687,544	-	1,687,544
2001 MMBA bonds	5-1-04	3.15-3.85	131,724	(42,297)	89,427
Purchase contract – equipment	9-15-00	4.626	107,211	(62,889)	44,322
Capital lease obligation –					
equipment	9-15-03	7.4	42,190	(13,073)	29,117
Purchase contract	9-14-05	5.59	601,358	(121,049)	480,309
Purchase contract	9-14-10	5.39	702,883	(58,403)	644,480
Purchase contract - equipment	4-1-02	6.625	59,457	(59,457)	-
Purchase contract - equipment	7-17-02	5.25	181,189	(166,278)	14,911
Purchase contract - bridges	7-17-02	5.25	216,264	(198,466)	17,798
2001 MMBA bonds	5-1-04	3.15-3.85	2,036,287	(653,854)	1,382,433
Installment sale	7-1-02	5.0	18,764	(18,764)	-
Capital lease	9-14-10	5.0	1,106,186	(222,667)	883,519
Capital lease	8-1-04	4.954	62,582	(21,297)	41,285
Capital lease	1-1-03	5.651	147,843	(115,338)	32,505
Capital lease	6-1-03	6.5	43,181	(12,944)	30,237
Total governmental activities			<u>\$16,080,577</u>	<u>\$ (2,590,311)</u>	<u>\$13,490,266</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

G. Long-term debt - (continued)

	Final Payment Due	Interest Rate or Range	Balance at June 30, 2001	Issuances (Retirements) During Year	Balance at June 30, 2002
Business - Type Activities:					
Enterprise Funds:					
2001 MMBA Drinking Water Revolving Fund Revenue bonds	4-1-20	2.5	\$ 5,887,559	\$ 7,878,170 (605,000)	\$13,160,729
2001 MMBA bonds	5-1-04	3.15-3.85	5,461,988	(1,753,848)	3,708,140
2002 MMBA Drinking Water Revolving Fund Revenue bonds			-	3,983,931	3,983,931
Equipment note payable	6-15-01	3.2	262,599	(262,599)	-
Equipment note payable		4.7	4,001,044	4,000,000 (378,284)	7,622,760
1995B Medical Center Revenue Rental Bonds	7-1-20	Variable	17,100,000	(700,000)	16,400,000
1995A Medical Center Revenue Refunding Bonds	7-1-07	6.0-7.0	5,910,000	(850,000)	5,060,000
1997A Medical Center Revenue Refunding Bonds	7-1-06	Variable	13,300,000	(1,900,000)	11,400,000
Sewage Disposal	11-1-06	4.0-5.0	6,490,000	(935,000)	5,555,000
1998A Medical Center Revenue Refunding Bonds	7-1-21	4.0-5.375	16,890,000	(510,000)	16,380,000
1998B Medical Center Revenue Refunding Bonds	7-1-29	4.0-5.375	19,945,000	(335,000)	19,610,000
Purchase contract	9-14-01	5.39	731,540	(60,784)	670,756
Total Business - Type Activities			<u>\$95,979,730</u>	<u>\$ 7,571,586</u>	<u>\$103,551,316</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2003	\$4,946,420	\$561,422	\$ 9,535,541	\$ 4,802,984
2004	3,092,306	389,239	10,196,530	4,791,472
2005	1,852,547	240,880	9,019,933	4,337,176
2006	1,716,016	200,629	9,160,305	3,889,468
2007	338,368	104,046	9,592,702	3,427,214
2008-2012	1,422,609	236,067	22,244,914	14,350,713
2013-2017	122,000	7,320	16,105,402	7,899,716
2018-2022	-	-	10,607,686	3,104,774
2023-2027	-	-	5,768,302	1,298,008
2028	-	-	1,320,000	70,950
Total	<u>\$13,490,266</u>	<u>\$1,739,603</u>	<u>\$103,551,316</u>	<u>\$47,972,475</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

G. Long-term debt - (continued)

Section 7-302 of the City Charter, adopted November 4, 1975, limits "net" debt to 7% of the assessed value of all real and personal property in the City, but does not define "net" debt. The following computation is based on previous practice and is consistent with the requirements of State of Michigan Public Act 279 of 1909.

Assessed valuation at December 31, 2001		<u>\$1,803,672,717</u>
Legal debt limit - (7% of assessed valuation)		\$ 126,257,090
Total Bonded Debt at June 30, 2002	\$103,403,294	
Less debt not subject to limitation under City charter and state statute:		
Revenue bonds and notes	<u>85,994,660</u>	
Debt subject to limitation		<u>17,408,634</u>
Unused debt limitation		<u>\$109,118,456</u>

The 1995B and 1997A bonds are secured by two letters of credit and the respective reimbursement agreements contain various restrictive debt covenants. The Medical Center was not in compliance with the tangible unrestricted fund balance, the net income available for debt service coverage to annual debt service, the debt to net asset ratio, and the annual reporting requirement at June 30, 2002. The banks have waived such non-compliance through the execution of amendments to the reimbursement agreements which contain additional restrictive debt covenants.

Advance refundings and defeasances:

The City Council, in 1985, approved the defeasance of the 1984 Tax Increment Finance Authority - Buick City Bonds. Sufficient assets to retire the debt were placed in escrow with a trustee, First of America Bank - Detroit, Michigan. The agreement between the City and the trustee stipulates that liability will be liquidated at the original maturity dates through June 1, 2006, with the balance of outstanding liability redeemed at that time. In accordance with SFAS #76, the fund liability was eliminated. The outstanding balance of the extinguished bond issue at June 30, 2002, was \$4,900,000.

In December 1985, Hurley Medical Center purchased U.S. Government securities and deposited them in an irrevocable trust. The principal and interest from these securities is sufficient to fund the scheduled principal and interest payments on the \$30,055,000 outstanding balance of the 1977 Revenue Rental Bonds and 1977 General Obligations Bonds. Accordingly, these bonds have been considered to be extinguished in an in-substance defeasance, and the securities and bonds do not appear in the balance sheet at June 30, 2002. The transaction resulted in a gain of \$6,284,929, of which, \$169,693 was recognized as an extraordinary gain in the year ended June 30, 1986, and \$4,587,998 was deferred to offset the effect of current and future years' third party payor's reimbursement adjustments. The outstanding balance on the 1977 revenue rental and general obligation bonds was \$10,595,000 at June 30, 2002.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

G. Long-term debt - (continued)

Advance refundings and defeasances: - (continued)

On March 14, 1989, the City Council approved the advance refunding of the 1983 Tax Increment Finance Authority AutoWorld bonds. A \$6.0 million grant received from the Mott Foundation and the proceeds of the sale of \$3.3 million revenue bonds (secured by the AutoWorld facility sale proceeds and parking revenues) were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 1, 2002, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability was removed from the general long-term debt account group at June 30, 1989. The outstanding balance of the defeased bonds at June 30, 2002, is \$2,400,000.

During 1985 the City Council approved the advance refunding on the 1978 Sewer Bonds. The net proceeds of the 1998 Refunding Bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 30, 2007, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability has been removed from the general long-term debt account group at June 30, 2002. The refunding bonds are secured by the full faith and credit of the City. The outstanding balance of the defeased bonds at June 30, 2002, is \$5,525,000.

During 1992, the City Council approved the advance refunding of the 1981 Tax Increment Finance Authority Riverfront Center Parking Structure Bonds. The net proceeds of the sale of \$4.0 million 1991 Tax Increment Revenue Refunding Bonds were used to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 1, 2005, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability has been removed from the general long-term debt account group at June 30, 2002. The refunding bonds are secured by the full faith and credit of the City. The outstanding balance of the defeased bonds at June 30, 2002 is \$700,000.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

G. Long-term debt - (continued)

Advance refundings and defeasances: - (continued)

During 1993, the City Council approved the advance refunding of the 1985 Tax Increment Finance Authority Buick City Refunding Bonds. The net proceeds of the sale of \$16.64 million 1993 Tax Increment Revenue Refunding Bonds were used to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 1, 2006, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability has been removed from the general long-term debt account group at June 30, 2002. The refunding bonds are secured by the full faith and credit of the City. The outstanding balance of the defeased bonds at June 30, 2002, is \$921,191.

During 1993, the City Council approved the advance refunding on the 1982 Tax Increment Finance Authority Windmill Place Bonds. The net proceeds of the sale of \$515,000 1993 Tax Increment Revenue Refunding Bonds were used to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 1, 2003, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability has been removed from the general long-term debt account group at June 30, 2002. The refunding bonds are secured by the full faith and credit of the City. The outstanding balance of the defeased bonds at June 30, 2002, is \$50,000.

In March 2002, Hurley Medical Center issued \$18,560,000 in 1998A Revenue Refunding Bonds to provide funds to defease the 1989 Revenue Rental Bonds. A portion of the proceeds from the 1998A bonds was used to purchase U.S. Government Securities which were deposited into an irrevocable trust. The principal and interest from the escrowed securities is sufficient to fund the scheduled principal and interest payments on the outstanding balance of the 1989 Revenue Rental bonds. Accordingly, these bonds have been considered to be extinguished in an in-substance defeasance, and the securities and bonds resulted in a loss of \$1,951,430 of which the full amount was deferred and will be amortized over the life of the new debt. The refunding resulted in a net decrease in future cash flows of \$5,873,125 and a net economic benefit of \$583,734. The outstanding balance on the 1989 Rental Revenue Bonds at June 30, 2002 was \$-0-.

Total defeased debt still outstanding at June 30, 2002:

Governmental activities	\$ 8,921,191
Business type activities	<u>16,120,000</u>
	<u><u>\$25,041,191</u></u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

IV. Detailed notes on all funds - (continued)

H. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Hurley Medical Center:	
Equipment replacement and improvement	\$13,557,346
Self insurance	9,610,430
Revenue Bond Indenture – held by trustee	11,957,662
Student loans	225,000
Make a Wish	105,639
Revenue bond equipment replacement account	<u>2,585,254</u>
Total restricted assets	<u>\$38,041,331</u>

V. Other information

A. Economic dependency

General Motors Corporation is the largest employer in the City and holds approximately 21% of the City's total taxable real and personal property.

B. Deferred compensation

a. Deferred compensation - 457A Plans:

The City, Hurley Medical Center, and the Flint Downtown Development Authority all offer deferred compensation plans adopted in accordance with Internal Revenue Code Section 457A. The plans, available to substantially all employees, permit employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Section 457A Plans, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the sole benefit of the employees. The assets are not subject to the claims of the employer's general creditors.

Participants' rights created under the plan are equivalent to those of general creditors and only in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

It is the opinion of legal counsel that the employers have no liability for losses under the plans, but do have the duty of care that would be required of an ordinary prudent investor.

V. Other information - (continued)

B. Deferred compensation - (continued)

b. Unqualified Deferred Compensation Plan:

The City Council approved, on June 10, 1985, the creation of a separate deferred compensation plan for those employees that participate in the I.C.M.A. 401A Retirement Plan. The plan is adopted in accordance with the I.R.C. Section 457C. See Note C.4 for relevant information regarding participants' rights, ownership of plan assets, and other disclosures. The City acts as the trustee of the plan. Contributions made by the City are intended to create equality between the contributions allowed under the General Retirement Plan and the I.C.M.A. 401A Retirement Plan. The transactions are recorded in the Unqualified Deferred Compensation Agency Fund. Contributions made to the plan during the year, distributions, and plan assets as of June 30, 2002, amounted to \$432,736, \$499,948, and \$73,665, respectively.

C. Retirement plans and other post-employment benefits

Significant details regarding the City's various retirement plans and other post-employment benefits are presented below:

1. Flint Employees' Retirement System:

The City of Flint Employees' Retirement System (FERS), a Single-Employer Public Employee Retirement System, covers substantially all employees of the City, including Hurley Medical Center, except certain firemen and policemen covered by the Charter Retirement Plan, and those employees that elect to participate in the Employees Defined Contribution - 401A Plan. The Retirement System is a blended component unit of the City of Flint. The plan was established by City ordinance and applicable state law, and is administered by a board of trustees. Investments of the plan are made through Bank One Trust Department and the Northern Trust. Employees who retire at or after age 55 (age 60 for certain Hurley Medical Center employees) with 10 years of credited service (8 years for appointed officials), or those members with 25 years credited service (23 years for police and fire), regardless of their age, are entitled to a retirement benefit. Certain police members can voluntarily retire at age 50 with 25 years of service. The retirement benefit can range from 2.4% to 2.6% of the participant's final average compensation based on the last three years (5 years for certain Hurley Medical Center employees) of credited service multiplied by the years of credit service depending on date of hire, and is payable monthly for life. Benefits fully vest on reaching 10 years of service with the benefit payable at age 55. The plan also provides death and disability benefits.

Member and employer contributions, benefits, and refunds are recognized when due. The investments are recorded on the balance sheet at fair value as determined by the custodian. The custodian utilizes electronic feeds from external pricing vendors for the majority of investments (95%). The remaining assets are valued through a variety of external sources. Gains and losses on the exchanges, or "swaps" of securities, are accounted for under the completed transactions method.

The Retirement System is in the process of obtaining a stand alone audited financial statement.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

C. Retirement plans and other post-employment benefits - (continued)

1. Flint Employees' Retirement System: - (continued)

Membership in the plan at December 31, 2001, the date of the latest actuarial valuation, was comprised of 3,397 active plan members 240 inactive vested members and 2,791 retirees and beneficiaries receiving payments.

The Plan provides that the City and employees contribute amounts necessary to fund the actuarially determined benefits. Employees become members of FERS and are required to deposit amounts into the system based on rates determined by bargaining unit contracts of all compensation, including overtime. The employee contribution rates ranged from 2.0% to 6.5% in 2002. Deposits are accumulated in individual accounts for each member remaining in service. Upon termination, a member may withdraw the accumulated employee contributions plus any interest credited to his or her account.

The City forwarded \$6,563,084 of pension contributions withheld from employees during the plan year ended December 31, 2001. During 2002 employer contributions rates ranged from 0% to 27.56% of covered payroll. The employer contributions funded retirement benefits, life insurance benefits, and the administration of the retirement system.

Actuarial assumptions:

Valuation date	December 31, 2001
Actuarial cost method	Hurley – projected unit credit City – individual entry age
Amortization method	Level percent
Remaining amortization period	4 years closed – Hurley/18 years closed – City
Asset valuation method	4 year smoothed market
Investment rate of return	7.75%
Projected salary increases	3.75% to 7.55%
Includes inflation at	3.75%

Annual pension cost:

Three year trend information regarding the annual pension cost (APC), percentage of APC contributed, and net pension obligation (NPO) are summarized as follows:

<u>Fiscal</u> <u>Year</u> <u>End</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>% of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u> <u>at June 30</u>
6/30/00	12/31/97	\$28,292,827	100%	\$ -
6/30/01	12/31/98	14,569,092	100	-
6/30/02	12/31/99	11,496,879	100	-

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

C. Retirement plans and other post-employment benefits - (continued)

1. Flint Employees' Retirement System: - (continued)

The December 31, 2001 actuarial valuation is still in draft form and has not been approved by the pension board.

2. Charter Retirement Plan:

The Charter Retirement Plan, a single employer defined benefit pension plan, covers firemen and policemen employed by the City prior to July 1, 1947. The plan was adopted under City code. All employees covered by this plan have retired. Benefits are provided under a special City ordinance with retirees receiving a benefit of \$7,000 a year. The current membership of the plan at June 30, 2002, is 28 members. The City intends to pay retirement benefits as they become due from future years' General Fund revenues. The City's contribution to the plan for the year ended June 30, 2002, was \$414,741 and was calculated based on the actual current pension benefits due to be paid. The present value of vested benefits has not been determined. The City has not requested an actuarial valuation of the plan since 1985 because of the decreasing nature and the immateriality of the plan's potential unfunded pension benefit obligation and the fact that the City is paying benefits as they become due. Net assets available for pension benefits at June 30, 2002 were \$2,677.

3. I.C.M.A. 401A Plan:

The City has made available to appointed officials an alternative retirement plan to the general retirement pension plan. The plan is a non-contributory defined contribution plan adopted under City ordinance. The City contributes an amount equal to the lesser of 25% of the employee's compensation, or \$30,000. No employee contributions are required, and employees vest 100% immediately. Total contributions required and made by the City during the year ended June 30, 2002, were \$551,032, which represented 25% of current year covered payroll. The plan trustee is the International City Management Association. Financial transactions for the plan are accounted for in the I.C.M.A. 401A Plan Pension Trust Fund. Investments are stated at market which approximates cost. Total payroll and covered payroll for the year ended June 30, 2002, were \$52,607,600 and \$2,204,128, respectively.

4. Excess Benefits Pension Plan:

The City established the City of Flint Excess Benefit Plan and Trust (the Plan) for the purpose of providing certain retiring employees with pension benefits in addition to those provided by the Flint Employees' Retirement System (FERS). Certain FERS participants receive an annual pension benefit that exceeds limits included in Section 415 of the Internal Revenue Code of 1986, as amended. Since the contractually required annual benefit exceeds Section 415 Limitations, the benefits cannot be funded through the FERS plan. The Excess Benefits Pension Plan and Trust was established as a separate pension trust to accumulate resources to pay these "excess" benefits on an annual basis.

Participation in the Plan is limited to FERS retirees whose benefit under the FERS defined benefit plan is limited by Section 415 of the Code and who retire at any time based on employment as a member of a bargaining unit represented by Local 1600 or Local 1799 of American Federation of State, County, and Municipal Employees. All employees covered by this plan have retired.

V. Other information - (continued)

C. Retirement plans and other post-employment benefits - (continued)

4. Excess Benefits Pension Plan: - (continued)

The annual benefit provided under the plan shall be the excess, if any, of each individual participant's benefit over the Section 415 limits in effect that calendar year. All benefits payable under this plan shall be paid in the same manner and form (using the same actuarial assumptions) as pension benefits paid under the FERS. Benefits shall be paid from the Plan once the member has received the maximum amount permitted within the limits of Code Section 415 during a plan year.

The Plan is intended to be funded on an annual basis via City contributions. There are no employee contributions to the Plan. The annual contribution will be determined by estimating the amount of "excess" benefits that will be paid out that calendar year. During the year ended June 30, 2002, employer contributions of \$72,146 were made to the plan and benefits of \$64,130 were paid out.

No actuarially computation of the pension benefit obligation has been performed.

5. Retiree Benefits Plan:

The City provides post retirement death benefits to certain retirees who retired after July 1, 1978, under the terms of collective bargaining agreements with two employee unions. If the retiree was a member of one of the bargaining units at the time of retirement, his or her designated beneficiary will receive a death benefit at the time of the retiree's death. The death benefit ranges from \$2,500 to \$10,000 depending on the retirement date.

The benefits are funded in advance by employee withholdings and a matching employer contribution. The employee contributions are calculated at a set amount for each hour worked by union members during the biweekly pay period. The employee withholdings and matching employer contributions are deposited into a separate account for investment purposes. The investments are administered by a seven member board appointed by the two unions and the mayor. Financial transactions are accounted for in the Flint Employees' Retirement System Pension Fund.

As of year end, there were 430 retirees who were eligible for this benefit. Employee and employer contributions for the year ended June 30, 2002, were both \$14,790. Net assets available for benefits, reported at fair value were \$2,283,914 at year end. No actuarial valuation has been performed to determine the present value of vested benefits. During 2002, death benefits of \$100,000 were paid.

6. Post-retirement health care benefits:

Hurley Medical Center:

Effective for retirements on or after July 1, 1983, Hurley Medical Center provides a portion of health insurance premiums for retired employees. The insurance premium for retired non-exempt employees is \$121 to \$1,017 per month to age 65 and a Medicare supplement after age 65. Retired exempt employees receive full coverage. No payment is made if the retired employee is covered under other employment. The estimated cost of such benefits is accrued based on a level percent of payroll. Accrued costs charged to expense were \$2,679,154 in the year ended June 30, 2002. The number of participants eligible to receive benefits were 695 in the year ended June 30, 2002. The Medical Center maintains a trust to be used for payment of the Medical Center's portion of health insurance premiums for retired employees.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

C. Retirement plans and other post-employment benefits - (continued)

6. Post-retirement health care benefits: - (continued)

City of Flint excluding Hurley Medical Center:

The City provides post-employment health care benefits to its retirees as required by bargaining unit contract or city ordinance. The benefits are paid by the City on a “pay as you go basis” and are not prefunded. No actuarial determination has been performed on the post-employment health care benefits liability. Subsequent to year end, the City established a trust fund to accumulate resources for the payment of these benefits. The City is self insured for these health care benefits as described in the risk management footnote. For the year ended June 30, 2002, the City paid out \$11,716,711 in retiree health care costs. As of year end, 2,791 retirees were eligible to receive these health care benefits.

D. Building department revenues and expenditures

In accordance with requirements of Michigan Public Acts, the following is disclosed regarding the City of Flint’s building department accounted for in the General Fund.

Revenue	\$ 885,012
Expenditures	<u>1,686,409</u>
Excess expenditures	<u>\$ 801,397</u>

E. Summary disclosures of significant contingent liabilities

Federal, state, and local grants:

The City participates in a number of federally, state, and locally assisted grant programs, principally of which is the federally funded Community Development Block Grant. The programs are subject to compliance audits. In accordance with the Single Audit Act of 1984, compliance audits of federal grants were made during the current year and have been reported under a separate cover. However, specific grantors have yet to make final approval of the compliance audits. The amount, if any, of expenditures which may be disallowed by the grant agencies, cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

F. Risk management

Risk Management - primary government:

The City is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific City facilities or events. See separate disclosures below for Hurley Medical Center Enterprise Fund.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

F. Risk management - (continued)

Risk Management - primary government: - (continued)

The City is self insured for workmen's compensation on a pay as you go basis for claims up to \$500,000, with reinsurance coverage provided once claims exceed \$1,000,000 in the aggregate. The self insurance program is administered by a third party administrator. All workman's compensation benefits are paid out of the Fringe Benefits Internal Service Fund. The amount of estimated claims payable at June 30, 2002 was not material.

The City is self insured for active employee dental and eye care benefits on a pay as you go basis. The self insurance program is administered by a third party administrator. All claims and benefits are paid out of the Fringe Benefits Internal Service Fund. The amount of estimated claims payable at June 30, 2002 was not material.

The City pays unemployment claims on a reimbursement basis.

The City is self insured for medical benefits provided to active employees and retirees. The benefits are funded on a pay as you go basis. Claims are being paid out of the Fringe Benefits Internal Service Fund for active employee claims as well as for retirees. The plans are administered by Blue Cross and Blue Shield and Health Plus of Michigan. Once the individual contract or aggregate stop loss amount is reached reinsurance provides the remaining benefits. The City has two health insurance plans that are self insured, Blue Cross/Blue Shield of Michigan (BCBSM) and HealthPlus. For the year ended June 30, 2002, the City paid out \$4,186,344 in claims and administration fees to HealthPlus. The City is protected from catastrophic claims by an excess insurance policy which provides \$2,000,000 in coverage per specific contract with a \$150,000 Self Insured Retention (SIR).

The City did not have any claims in excess of the stop loss deductible during the year. The City paid BCBSM \$14,649,913 during the year for claims funding and administration. The self insured coverages provided through BCBSM were protected by Specific Stop Loss coverage, which provided an unlimited excess with a \$100,000 deductible. No claims payable exist at June 30, 2002 due to escrowed reserves maintained by the third party administrators. The City also provides fully insured HMO health insurance coverage to a limited number of employees. At June 30, 2002, there were 2,791 retirees that were receiving medical benefits.

The City has a commercial insurance policy that covers certain general tort liability. The per claim limit is \$1,000,000 with a \$250,000 deductible per occurrence and a \$3,000,000 aggregate claim annually. The commercial policy covers public officials, employment practices, employee benefits, law enforcement, and commercial auto.

The City is self insured for other potential claims not covered by the commercial policy. The Hurley Medical Center Enterprise Fund is also self insured for a number of risks. The amounts below include all general liability claims against the City except for those related to Hurley Medical Center. Details regarding Hurley's self insurance practices are detailed separately. The City has estimated the claims that have been incurred through the end of the year, including both those claims that have been reported as well as those that have not yet been reported to the City. The estimate is based on legal counsel's recommendation and past settlement history. The estimated liability does not include any incremental costs. The amounts below include all general liability claims against the City except for those related to Hurley Medical Center. Hurley administers its own risk management program and details regarding Hurley's self insurance practices are detailed separately.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

F. Risk management – (continued)

Risk Management - primary government: - (continued)

These claim estimates are recorded as accounts payable in the Self Insurance Internal Service Fund. Changes in the estimated liability as well as the total estimated costs (based on prior history and claims presented) of claims for the past fiscal year for the City, exclusive of the Hurley medical Center Enterprise Fund, were as follows:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
Estimated liability, beginning of year	\$ 3,388,244	\$ 6,617,432
Estimated claims incurred, including changes in estimates	4,381,105	950,779
Claims payments	<u>(1,151,917)</u>	<u>(2,581,625)</u>
Estimated liability, end of year	<u>\$ 6,617,432</u>	<u>\$ 4,986,586</u>

Hurley Medical Center Enterprise Fund:

Hurley Medical Center is self insured for its hospital professional and patient general liability exposures separate from other City risk management programs. The Medical Center has established a Self-insurance Trust to assist in accumulating resources to fund excess-insurance premiums and to pay claims.

The Medical Center's self insured retention is \$2 million per occurrence/\$11 million annual aggregate with excess claims made coverage of \$14 million per occurrence/\$14 million annual aggregate. The Medical Center is also self insured for worker's compensation claims.

There were no significant reductions in the amount of excess-insurance coverage for hospital professional and patient general liability exposures. Also, there were no settlements that exceeded insurance coverage for the past three years. The Medical Center employs the use of an actuary to provide an analysis of the existing claims and to estimate the liability for incurred but not reported (IBNR) claims.

The carrying amount of liabilities for unpaid claims amounted to \$10,383,035 June 30, 2002.

The following represents the change in the aggregate liabilities for claims and defense costs payable for the years ended June 30, 2002

	<u>Claims and Defense</u> <u>Costs Payable</u>
Balance - beginning of year	\$10,247,802
Claims paid	(4,256,827)
Defense costs and other fund expenses	(2,316,015)
Excess insurance premium payments	(1,363,250)
Increase in claims liability	<u>8,071,325</u>
Balance - end of year	<u>\$10,383,035</u>
Insurance Trust assets (at cost) - end of year	<u>\$ 6,540,254</u>

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

F. Risk management - (continued)

Hurley Medical Center Enterprise Fund: - (continued)

The Medical Center is self insured for workers' compensation claims. The Medical Center is on a pay-as-you-go basis. Current claims expense for the year ended June 30, 2002 was \$1,145,308.

Malpractice claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing, including some that have been brought to trial. Counsel is unable to conclude about the ultimate outcome of the actions, however, it is probable that certain actions will result in unfavorable settlements for the Medical Center. There also are known incidents occurring through June 30, 2002 that may result in the assertion of additional claims. Management is of the opinion that the settlement of those claims probable of unfavorable outcome, as well as the settlement, if any, of such other asserted and unasserted claims, are within the self-insurance limits. Consequently, management believes that such settlements will not significantly affect the Medical Center's financial results. The Medical Center maintains an irrevocable trust to be used for the payment of settlements. The Medical Center funds the trust based upon an annual actuarial determination. The Medical Center has a stop loss insurance policy relating to malpractice claims which limits the claims that are paid from the irrevocable trust.

Risk Management - component units:

The Flint Economic Development Corporation is exposed to various risks of loss related to property loss, torts, and error and omissions. The Corporation has purchased commercial insurance for these risks associated with a small business incubator facility which leases commercial and light industrial space to new businesses. Since the Corporation occupies premises located in the City of Flint Municipal Center and all Corporation personnel are employees of the City, any losses related to general liability, employee injuries, workman's compensation, and employee medical benefits are covered by City self insurance risk management programs. No claims related to Corporation activities have been presented to the City as of June 30, 2002.

The Downtown Development Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance coverage through various policies for general liability on all Authority-owned property and workmen's compensation. There were no reductions in coverage during the current year.

G. Going concern

As shown in the fund financial statements, General Fund liabilities exceed General Fund assets by \$26,255,585, and the General Fund has an unreserved fund balance deficit of \$26,617,953. In addition, the General Fund has a deficit position in the pooled cash and investment account of \$35,294,517. The General Fund is the main operating fund for City operations with its revenues being unrestricted as to the purpose for which they can be spent. The resources of other funds are restricted as to purpose, and cannot be used to fund the programs and activities recorded in the General Fund. These conditions raise significant doubt about the City's ability to continue as a going concern.

City of Flint, Michigan
Notes to Basic Financial Statements - Continued
June 30, 2002

V. Other information - (continued)

G. Going concern - (continued)

Management has devised a plan to eliminate the deficit in the General Fund. The plan was submitted to the State of Michigan. The initiatives in the plan will be implemented over the next five fiscal years, and the ability of the City to continue as a going concern is dependent on the success of this plan.

H. Deficit Elimination Plan Still in Process

The State of Michigan has not yet approved a definitive Deficit Elimination Plan (DEP). A tentative plan consists of issuing \$26.6 million in deficit stabilization bonds through the State of Michigan, and paying them back over 20 years or less. The plan will eliminate the General Fund deficit by the end of fiscal year 2003. In the past the DEP could not be formulated because a consensus could not be achieved between the Mayor and Council. However, two events have made the formulation and approval of a DEP possible; first, in March 2002, Flint voters recalled the Mayor breaking the consensus logjam, second in July 2002, the Governor of Michigan appointed an Emergency Financial Manager with considerable financial authority over the City Council.

The Emergency Financial Manager has a deadline of January 31, 2003 to develop a plan to eliminate the \$26.6 million General Fund deficit. The Emergency Financial Manager will present a five-year Deficit Elimination Plan to the State and receive permission to issue deficit stabilization bonds. The five-year projections will include additional structural budget changes that would return the city to balanced operations while providing adequate funding for debt service. The City will pledge future State Shared Revenues and the outstanding bonds would carry the city's general obligation limited tax pledge. However, as the bond proceeds will be used to pay back long term loans from the Water and Sewer funds, the interest the City has been paying to the Water and Sewer funds for the money taken from those funds to meet General fund obligations will be applied to the deficit stabilization bonds debt service. In addition, existing debt service requirements will drop significantly due to the expiration of debt service obligations over the fiscal years 2003 and 2004.

I. Subsequent event

Sales of assets:

Subsequent to year end, the City sold the IMA Sports Arena to a third party. The sports arena was recorded as a capital asset in the Civic Auditorium Enterprise Fund with a depreciated value of \$6,560,485 at June 30, 2002. The entire facility was sold for \$1,600,000, with the City incurring sales expenses of \$22,376, leaving net proceeds of \$1,577,624. The loss on the sale of approximately \$4.9 million will be recognized in the fiscal year ended June 30, 2003.

Required Supplementary Information

City of Flint, Michigan
Required Supplementary Information
Analysis of Funding Progress
June 30, 2002

General, Police, Fire, and Hurley Pension Plans
Schedule of Funding Progress
(\$ Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Attained Age (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
12-31-99	\$849,487	\$853,844	\$ 4,357	99.49%	\$165,430	2.63%
12-31-00	880,466	887,022	6,616	99.25	160,047	4.13
12-31-01	906,956	892,262	(14,694)	101.65	151,507	(5.98)

The actuarial methods used to determine the Actuarial Accrued Liability was the individual entry age actuarial and the projected unit credit funding methods. Unfunded actuarial accrued liabilities are being amortized as a level percent of projected payroll over 18 years for general police, and fire. The Medical Center's over funding is being amortized over 4 years. Significant actuarial assumptions used in the computation of the accrued actuarial liability include: (1) a rate of return on the investment or present and future assets of 7.75% per year compounded annually, (2) projected salary increases of 3.75% to 7.55% per year compounded annually, and 3.75% inflation.

The Actuarial Value of Assets was computed on the cost of plan assets, receivables, and liabilities.

**Combining Fund Statements and
Fund Descriptions**

City of Flint, Michigan
Non-Major Governmental Funds
Summary Descriptions
June 30, 2002

Special Revenue Funds

The Federal Grants Fund accounts for entitlement grants received from the U.S. Department of Housing and Urban Development including Community Development Block Grants, Enterprise Community Grants, HOME Grants, and Emergency Shelter Grants.

The Neighborhood Policing Fund is used to account for a special property tax levy approved by voters to provide additional police protection for neighborhoods.

The State Act 251-Forfeitures Fund is used to account for proceeds from the sale of confiscated property seized in drug related crimes.

The AutoWorld TIFA Fund is used to account for Tax Increment Finance Authority (TIFA) tax revenues restricted for capital improvements within the AutoWorld TIFA district.

The State Grants Fund was established to account for the receipt and disbursement of grants received from the State of Michigan for economic development.

The St. John Industrial Park Fund was established to account for the receipt and subsequent expenditure of certain grants and other resources designated for the development of the St. John Industrial Park.

The EDA Revolving Loan Fund is used to account for monies received from the U.S. Economic Development Administration. The grant was used to establish a revolving loan fund to loan money to economic development projects which meet program criteria.

The Buick City TIFA Fund is used to account for Tax Increment Finance Authority (TIFA) tax revenues restricted for capital improvements within the Buick City TIFA district.

The Atwood Stadium Fund receives revenue from admission charges and other activities at Atwood Stadium. All expenditures of this fund are for capital improvements at the stadium.

The Local Law Enforcement Grant Fund was established to account for the federal block grant received for law enforcement activities.

The Parks and Recreation Fund was established to account for the annual ½ mill tax levy for the purpose of providing dedicated funds for the improvement and maintenance of City parks, forestry and recreation services. This tax levy is for a period of 10 years 1997 through 2006.

The Central Maintenance Garage Fund accounts for the operational costs of vehicles and equipment provided to City Funds. Replacement equipment is the responsibility of each fund.

(continued)

City of Flint, Michigan
Non-Major Governmental Funds
Summary Descriptions – (continued)
June 30, 2002

Debt Service Funds

The General Debt Service Fund records the servicing of the City's general obligation bonds not paid through Proprietary Fund operations or other debt service funds.

The Hyatt Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance a portion of the construction of a downtown hotel and convention center.

The Windmill Place Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance the construction of Windmill Place, a festival marketplace.

The Buick City Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance the Buick City improvements.

(continued)

City of Flint, Michigan
Non-Major Governmental Funds
Summary Descriptions – (continued)
June 30, 2002

Capital Projects Funds

The Public Improvement Fund was established to account for the annual 2-1/2 mill tax levy reserved by Section 7-201 of the City Charter for capital improvements and servicing of general obligation debt.

The AutoWorld Bond Issue Fund was established to account for the proceeds of bonds issued for improvements to the AutoWorld Museum.

The Buick Industrial Park Fund was established to account for the proceeds of the Tax Increment Bond Issue utilized to finance the Buick City improvements, and for the grant from the U.S. Department of Commerce for one of the projects.

Atwood Stadium Building Authority was created to account for contributions and grants received to make improvements to Atwood Stadium.

The Michigan Municipal Bonds Authority Fund was established to account for the proceeds of bonds issued through the Michigan Municipal Bond Authority to finance the acquisition of equipment for governmental fund activities.

The Michigan Transportation Bonds Fund was established to account for the proceeds of bonds issued under State Act 175 for paying the costs of street improvements.

City of Flint, Michigan
Non-Major Proprietary Funds
Summary Descriptions
June 30, 2002

The Civic Auditorium Fund is used to account for the activities of the Civic Auditorium. Most revenues are derived from rental of the auditorium for various functions. Operations are managed by City employees.

The Mid-City Parking System Fund is used to account for the operations of the City's parking system. Revenues are received from parking meters and from the operation of various lots. Lot operations are managed by the Downtown Development Authority on behalf of the City.

City of Flint, Michigan
Internal Service Funds
Summary Descriptions
June 30, 2002

The Data Processing Fund distributes the costs of central data processing services to the various user departments.

The Central Stores Fund centrally assembles materials and supplies for redistribution to other departments. The user departments are billed for the cost of the requisitioned supplies and for the cost of operating the central stores.

The DPW Fund accounts for the costs of various construction, repair, and maintenance activities. The fund is reimbursed as the accumulated costs are distributed to specific work orders or projects and billed to the appropriate fund.

The Fringe Benefits Fund is used as a clearing account for the City's payroll and related fringe benefits, and to make payments for worker's compensation claims. Monies are accumulated in this fund as a result of payroll allocations made on a departmental and/or bargaining unit basis.

The Self-Insurance Fund was established to accumulate monies which are available to settle claims against the City when no insurance coverage exists and to make insurance premium payments. The fund is reimbursed by the user departments for insurance premium payments made and monies accumulated for self-insurance.

**City of Flint, Michigan
Fiduciary Funds
Summary Descriptions
June 30, 2002**

Pension Trust Funds

The Charter Retirement Fund is used to account for the financial operations of a retirement plan for certain firemen and policemen employed prior to July 1, 1947.

The Flint Employees' Retirement System Fund is used to account for the financial operations of the Flint Employees' Retirement System. The system is administered by a nine-member board of trustees while the City acts as the custodian of the system.

The Excess Pension Benefit Fund was established to provide certain retiring employees with pension benefits in addition to those provided by the Flint Employees' Retirement System.

The I.C.M.A. 401 Retirement Fund is used to account for the assets of a third retirement fund. City appointed officials may elect to be involved in this retirement fund rather than the Flint Employees' Retirement System. This plan follows the regulations of the Internal Revenue Code Section 401, and is administered by the International City Managers Association (I.C.M.A.).

Private Purpose Trusts

The City Park Endowment Fund was established to account for transactions related to the appraisal and sale of certain City owned property. Proceeds of the land sales are restricted to improvements of City parks.

The Longway Trust Fund is used to account for monies received from a charitable trust. Use of the monies has been restricted by the donor.

Agency Funds

The Miscellaneous Agency Fund is used to account for delinquent property taxes levied by other taxing units and other assets held by the City as an agent for individuals, private organizations, other governments, and other funds.

The District Court Fund is used to account for cash receipts and disbursements made by the City as an agent for the 68th District Court.

The Unqualified Deferred Compensation Fund is used to account for the assets of an unqualified deferred compensation plan set up to equalize benefits of those City employees electing the 401 retirement plan with those employees covered under the Flint Employees' Retirement System.

**Capital Assets Used in the
Operation of Governmental Funds**

**Statistical Section
(Unaudited)**

Table 7

**City of Flint, Michigan
Computation of Legal Debt Margin
June 30, 2002**

Assessed Valuation at December 31, 2001		<u>\$1,803,672,717</u>
Legal debt limit (7% of assessed valuation) ^(a)		\$ 126,257,090
Total Bonded Debt at June 30, 2002	\$ 103,403,294	
Less debt not subject to limitation under City Charter and State Statute:		
Revenue bonds and notes	<u>85,994,660</u>	
Debt subject to limitation (net debt)		<u>17,408,634</u>
Unused Debt Limitation		<u>\$ 109,118,456</u>

(a) Bond Limit: Section 7-302 of the City Charter, adopted November 4, 1975, limits “net” debt to 7% of Assessed Valuation but does not define net debt. Above calculations continue previous practice and are consistent with State Statutes.

Table 13

**City of Flint, Michigan
Demographic Statistics - Unaudited**

Area and Population:*Source: U.S. Census Records*

<u>Year</u>	<u>Square Miles</u>	<u>Census Population Count</u>
1910	29.9	38,550
1920	29.9	91,599
1930	29.9	156,492
1940	29.9	151,543
1950	29.9	162,350
1960	29.9	196,940
1970	32.8	193,317
1980	32.8	159,611
1990	32.8	*140,761
2000	32.8	**127,100

Adjusted 1990 U.S. Census**Adjusted 2000 U.S. Census***Age Distribution***Source: U.S. Census Records*

	<u>Under 5</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-64</u>	<u>65 +</u>
1930	16,896	16,157	13,102	12,596	16,796	54,656	21,524	4,765
1940	12,729	12,676	13,955	14,013	13,301	50,658	27,598	6,613
1950	18,090	13,390	11,845	11,935	14,950	49,280	32,990	9,870
1960	26,507	21,572	16,620	12,914	12,719	54,182	38,453	13,973
1970	20,537	20,417	20,139	17,819	17,374	45,147	35,119	16,765
1980	14,471	13,958	13,596	14,992	17,643	40,772	28,160	16,019
1990	13,375	11,840	10,977	11,439	11,146	43,790	23,094	15,100
2000	11,202	11,871	10,036	9,014	9,028	36,742	23,966	13,084

(continued)

Table 13 (continued)

**City of Flint, Michigan
Demographic Statistics - Unaudited**

Distribution of Families by Income Bracket:

Source: 2000 U.S. Census of Population

City of Flint – 127,100 (adjusted) / Genesee County – 436,141

<u>Income</u>	<u>Flint</u>		<u>Genesee County</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
<\$10,000	4,712	15.4%	7,780	6.7%
\$10,000 to 14,999	2,655	8.7%	5,229	4.5%
\$15,000 to 24,999	5,031	16.4%	12,764	10.9%
\$25,000 to 34,999	4,190	13.7%	13,552	11.6%
\$35,000 to 49,999	4,547	14.8%	18,984	16.2%
\$50,000 to 74,999	5,030	16.4%	26,033	22.3%
\$75,000 to 99,999	2,403	7.8%	16,452	14.1%
\$100,000 to 149,999	1,514	4.9%	11,932	10.2%
\$150,000 or 199,999	298	1.0%	2,297	2.0%
\$200,000 or more	296	1.0%	1,861	1.6%
Total Families	30,676	100%	116,884	100%
Median Income	\$31,424		\$50,090	
Mean Income	\$40,266		\$53,562	

City of Flint Unemployment Data:

*Source: Michigan Employment
Security Commission*

1983	24.8%
1984	17.8%
1985	16.1%
1986	14.7%
1987	16.3%
1988	18.7%
1989	13.9%
1990	16.6%
1991	21.1%
1992	20.0%
1993	16.3%
1994	13.7%
1995	11.8%
1996	10.9%
1997	9.6%
1998	10.2%
1999	9.7%
2000	9.5%
2001	13.1%

Per Capita Personal Income:

Flint Standards Metropolitan Statistical Area

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

1983	12,115
1984	13,497
1985	14,452
1986	15,095
1987	14,907
1988	15,993
1989	16,569
1990	17,130
1991	18,262
1992	18,843
1993	20,556
1994	23,584
1995	25,591
1996	23,255
1997	23,510
1998	24,171
1999	24,567
2000	25,217
2001	Not Avail

City of Flint, Michigan
Miscellaneous Statistical Data – Unaudited
June 30, 2002

<u>Date of Incorporation</u>	February 13, 1855
<u>Date Present Charter Adopted</u>	November 4, 1975
<u>Form of Government</u>	Strong Mayor - Council

Retail Sales

	<u>City of Flint</u>	<u>Genesee County</u>
1977	\$ 801,457,000	\$1,585,912,000
1978	986,090,000	1,960,224,000
1979	733,445,000	2,305,489,000
1980	654,259,000	2,252,229,000
1981	640,231,000	2,480,194,000
1982	667,160,000	2,508,978,000
1983	779,489,000	2,620,466,000
1984	1,022,316,000	2,465,779,000
1985	1,150,568,000	2,775,821,000
1986	1,236,451,000	2,977,633,000
1987	1,280,090,000	3,140,358,000
1988	1,297,952,000	3,222,975,000
1989	1,350,797,000	3,300,607,000
1990	1,457,514,000	3,478,101,000
1991	1,410,221,000	3,365,172,000
1992	1,443,878,000	3,451,787,000
1993	1,586,848,000	3,666,721,000
1994	1,118,257,000	4,339,695,000
1995	1,206,333,000	4,663,075,000
1996	1,270,363,000	4,951,715,000
1997	1,290,086,000	5,169,530,000
1998	1,346,086,000	5,435,824,000
1999	1,139,457,000	5,842,488,000
2000	1,098,371,000	5,984,647,000
2001	1,065,023,000	5,693,816,000

Source: Sales & Marketing Management Magazine (Survey of Buying Power)

(continued)

Table 14 (Continued)

City Of Flint, Michigan
Miscellaneous Statistical Data – Unaudited
June 30, 2002

Home Sales within the City

<u>Calendar Year</u>	<u>Existing Homes # Units Sold</u>	<u>Average Home Selling Price (\$)</u>
1987	1,599	\$30,428
1988	1,535	31,125
1989	1,653	30,718
1990	1,572	31,266
1991	1,559	30,700
1992	1,504	33,012
1993	1,266	35,569
1994	1,249	36,091
1995	1,561	37,094
1996	1,851	39,302
1997	1,908	40,491
1998	3,382	45,399
1999	2,226	46,007
2000	1,041	51,468
2001	1,560	58,101

Miles of Streets and Alleys

Streets – Paved	
State Trunklines	12.49
City	505.47
Interstate	10.93
Total Paved	526.96 Miles
Streets – Unpaved	.40 Miles
Alleys	8.80 Miles
Sidewalks	986.25 Miles

Miles of Sewers

Storm Sewers	350.00 Miles
Sanitary Sewers	750.00 Miles

Number of Street Lights 11,154

Number of Traffic Signals 276

Fire Protection

Fire Stations	6
Uniformed Employees	126

Police Protection

Sworn Employees	234
Civilian Employees	31
Vehicular Patrol Units	116

(continued)

Table 14 (Continued)

**City Of Flint, Michigan
Miscellaneous Statistical Data – Unaudited
June 30, 2002**

Education – Fall 2001-2002

Number of Students:	
Kindergarten – Grade 6.....	12,342
Grades 7 – 12	7,710
Special Education and part-time	2,069
Total Public School Students	22,121
Private Schools – Grades K-12	1,639
Total Students.....	23,760
Number of Schools:	
High Schools.....	5
Middle Schools	6
Elementary Schools	34
Private Schools	4
Vocational/Adult/Alternate.....	3
Total Schools.....	52
Number of Personnel:	
Teachers (including Special Education Personnel).....	1,382
Pupil/Teacher Ratio	16 to 1
Professional Personnel	1,582
Pupil/Professional Personnel Ratio.....	14 to 1

Source: Genesee Intermediate School District Statistical Summary, October 2001

Colleges/Universities – Autumn 2001 Enrollments (including on-line courses):	
Baker College – Flint.....	4,946
Kettering (formerly GMI Engrg & Mgmt Institute)	3,346
Mott Community College	17,553
University of Michigan – Flint	6,397
Satellite Campus Enrollment (approximate).....	400
Spring Arbor College	
Central Michigan University	
Davenport/Detroit College of Business	
MSU College of Human Medicine	

Source: Area College Registrars & Public Affairs/Marketing Offices

(continued)

**City Of Flint, Michigan
Miscellaneous Statistical Data – Unaudited
June 30, 2002**

Recreation Facilities and Park Areas as of June 30, 2002

Facilities –

3	Baseball Stadiums – Class A
29	Basketball Courts
1	Bike Trail
9	Community Centers
5	Football Fields
1	Football Stadium
1	Lawn Bowling Green (6 lanes)
2	Outdoor Artificial Ice Rinks (closed)
21	Pavilion/Picnic Shelters
41	Playgrounds
1	Rugby Field
10	Shuffleboard Courts
1	Soap Box Derby Facility
7	Soccer Fields
26	Softball Fields
4	Swimming Pools (closed)
33	Tennis Courts
8	Water Bodies

Park Areas -

<u>Park Classification</u>	<u>Number</u>	<u>Area (Acres)</u>
Major City Parks	2	137
Community Parks	11	705
Neighborhood Parks	25	183
Playlots	9	9
Special Use Parks	16	174
Golf Courses	<u>4</u>	<u>628</u>
	<u>67</u>	<u>1,836</u>

(continued)

Table 14 (Continued)

City Of Flint, Michigan
Miscellaneous Statistical Data – Unaudited
June 30, 2002

	Registered Voters	Votes Cast	Percentage
Municipal Election of November 3, 1970	92,312	57,829	62.6
General Election of November 7, 1972	95,344	68,151	71.5
Municipal Election of November 6, 1973	94,532	23,226	24.6
General Election of November 5, 1974	93,030	44,396	47.7
Municipal Election of November 4, 1975	95,780	42,072	43.9
General Election of November 2, 1976	92,132	62,109	67.4
Municipal Election of November 7, 1977	82,330	14,116	17.1
General Election of November 7, 1978	85,729	42,124	49.1
Municipal Election of November 6, 1979	88,158	34,428	39.1
General Election of November 4, 1980	92,461	60,347	65.3
Municipal Election of November 3, 1981	87,235	18,496	21.2
General Election of November 2, 1982	93,966	46,980	50.0
Municipal Election of November 8, 1983	95,515	43,044	45.1
General Election of November 6, 1984	103,902	61,057	58.8
General Election of November 5, 1985	101,233	14,889	14.7
General Election of November 4, 1986	102,419	36,513	35.7
Municipal Election of November 3, 1987	100,831	43,151	42.8
General Election of November 8, 1988	100,623	54,101	53.7
Municipal Election of November 7, 1989	91,980	23,670	25.7
General Election of November 6, 1990	96,496	31,485	32.6
Municipal Election of November 5, 1991	98,350	44,159	44.9
General Election of November 3, 1992	99,130	58,221	58.7
Municipal Election of November 2, 1993	96,291	14,120	14.7
General Election of November 8, 1994	91,567	42,304	46.2
Municipal Election of November 7, 1995	91,073	31,311	34.4
General Election of November 5, 1996	96,189	47,458	49.3
Municipal Election of November 4, 1997	96,684	15,317	15.8
General Election of November 3, 1998	96,883	35,422	36.6
Municipal Election of November 2, 1999	98,798	34,125	34.5
General Election of November 7, 2000	91,933	47,909	52.1
Municipal Election of November 6, 2001	92,934	14,186	15.3

Table 15

City of Flint, Michigan
Salaries and Surety Bonds of Principal Officials – Unaudited
For Fiscal Year Ended June 30, 2002

Name and Title of Official	Annual Salary	Amount of Surety Bond ^(a)
James Rutherford, Mayor	\$24,000	\$100,000
Darnell Earley, City Administrator	\$95,002	\$100,000
Karen Folks, Acting City Attorney	\$72,001	\$100,000
Peter Dobrzeniecki, Director of Finance	\$83,922	\$100,000
James Goodin, City Treasurer	\$70,955	\$400,000
Douglas Bingaman, Deputy City Treasurer	\$64,719	\$250,000
Deirdre Pitts, Acting Personnel Director	\$65,000	\$100,000
Inez Brown, City Clerk	\$70,818	\$100,000
Jessie Binion, Ombudsman	\$70,818	\$100,000

^(a) A blanket surety bond in the amount of \$100,000 each is maintained for all City employees except the Treasurer & Deputy Treasurer.